

Legislative Audit Division

State of Montana



Report to the Legislature

November 2001

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 2001

Department of Administration

This report contains 12 recommendations to the department. Opportunities to improve department operations include:

- ▶ Cash accountability and management control.
- ▶ Approving inter-entity loans.
- ▶ Payroll withholding and deduction reconciliation procedures.
- ▶ Ensuring fees are commensurate with cost.
- ▶ Control over security deposits.
- ▶ Eliminating duplicate accounting systems and saving \$1 million in costs each biennium for the university system.

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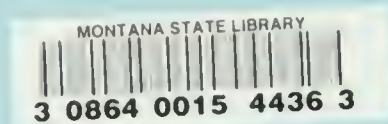
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Financial-compliance audits are conducted by the Legislative Audit Division to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

Government Auditing Standards, the Single Audit Act Amendments of 1996 and OMB Circular A-133 require the auditor to issue certain financial, internal control, and compliance reports. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 1999, was issued on March 30, 2000. The Single Audit Report for the two fiscal years ended June 30, 2001, will be issued by March 31, 2002. Copies of the Single Audit Report, when available, can be obtained by contacting:

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November 2001

The Legislative Audit Committee
Of the Montana State Legislature:

This is our financial-compliance audit report on the Department of Administration for fiscal years 1999-00 and 2000-01. This report contains 12 recommendations related to cash accountability and management control, state and federal compliance, fees in Internal Service Fund not commensurate with costs, and accounting issues.

The department's written response to the audit recommendations is included in the back of the audit report. We thank the director and the department staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Scott A. Seacat", is written over a horizontal line.

Scott A. Seacat
Legislative Auditor

Legislative Audit Division

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 2001

Department of Administration

Members of the audit staff involved in this audit were Wayne D. Guazzo, Brenda Kedish, Jim Manning, Emlyn Neuman-Javornik, Sonia Powell, and Jennifer Solem.

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Appointed and Administrative Officials

Department of Administration

Barbara Ranf, Director (through: October 31, 2001)

Lois Menzies, Director (through: December 1, 2000)

Steve Bender, Deputy Director (effective: July 30, 2001)

Dave Ashley, Deputy Director (through: June 30, 2001)

Cathy Muri, Administrator, Accounting and Management Support
Division

Thomas B. O'Connell, Administrator, Architecture and Engineering
Division

Bill Bayless, Administrator, General Services Division

Tony Herbert, Administrator, Information Services Division

Marvin Eicholtz, Administrator, Procurement and Printing Division

Brett Dahl, Administrator, Risk Management and Tort Defense
Division

John McEwen, Administrator, State Personnel Division

Greg Thornquist, Chairman, State Tax Appeal Board*

William Hooks, Attorney, Appellate Defender's Office

*Officials of entities attached to the department for administrative purposes are listed above if the entities' financial activities are included in the department's financial schedules. The Public Employees' Retirement Administration, the Teachers' Retirement System, and the Montana State Fund issue separate annual financial statements, so officials of these entities are not listed.

Department of Administration

This report documents the results of our financial-compliance audit of the Department of Administration (department) for the two fiscal years ended June 30, 2001. The previous audit report contained 18 recommendations to the department. The department implemented 15 recommendations, and did not implement 3 recommendations.

This report contains 12 recommendations directed to the department. The first section in the report discusses ways in which the department can improve controls over financial management, cash, inter-entity loans, and payroll. There are four recommendations related to implementing a financial management control structure over cash and disbursements.

The second section discusses ways in which the department can improve compliance with state laws. We reviewed the rates charged and fund equity of the department's Internal Service Funds. There are two recommendations related to accounting for internal service fund activity as required by law. There are three recommendations related to other state compliance issues such as duplicate accounting systems, bid and performance security, and the approval of exempt staff.

The third section discusses ways in which the department can improve compliance with federal laws and regulations. There is one recommendation to the department related to reporting Payments in Lieu of Taxes (PILT).

The fourth section reports various accounting misclassification and other reporting errors on the state's accounting records. This section includes two recommendations.

We issued a qualified opinion on the financial schedules contained in the report for each of the two years under audit. This means the reader should use caution when using the presented financial information and the supporting data on the state's accounting records.

Report Summary

The department's written response to the audit begins on page B-3.

The listing below serves as a means of summarizing the recommendations contained in the report, the department's response thereto, and a reference to the supporting comments.

<u>Recommendation #1</u>	We recommend the department implement procedures to promptly reconcile cash balances on the accounting records to the bank records as required by state law.	8
	<u>Department response:</u> Concur. See page B-3.	
<u>Recommendation #2</u>	We recommend the department only approve inter-entity loans that comply with the requirements of state law.....	10
	<u>Department response:</u> Concur. See page B-4.	
<u>Recommendation #3</u>	We recommend the department establish control procedures to ensure compliance with the CMIA agreement.	12
	<u>Department response:</u> Concur. See page B-4.	
<u>Recommendation #4</u>	We recommend the department properly reconcile and correct errors in the accountability for advances account as required by law.	13
	<u>Department response:</u> Concur. See page B-5.	
<u>Recommendation #5</u>	We recommend the department ensure Internal Service Fund rates are commensurate with costs as required by law.	17
	<u>Department response:</u> Concur. See page B-5.	

Report Summary

Recommendation #6 We recommend the department include all costs when setting rates for the Energy Procurement and Fueling Program consistent with state law. 17

Department response: Concur. See page B-5.

Recommendation #7 A. We recommend the university system ensure the Banner accounting system is accessible to and meets the information needs of users of university financial information.

Commissioner of Higher Education response: Concur. See page B-10.

We recommend the department work with the university system to eliminate the duplicative accounting systems at state colleges and universities..... 20

Department response: Do not concur. See page B-6.

Recommendation #8 We recommend the department improve control procedures over bid and performance security deposits to ensure compliance with state law..... 21

Department response: Concur. See page B-6.

Recommendation #9 We recommend the department document the approval of exempt personal staff of elected officials when the total number of these positions exceeds ten, as required by law. 22

Department response: Concur. See page B-6.

Recommendation #10 We recommend the department accurately complete the Payments in Lieu of Taxes report as required by federal regulations. 23

Department response: Concur. See page B-7.

Report Summary

Recommendation #11

We recommend the department properly record financial activity as required by law..... 25

Department response: Concur. See page B-7.

Recommendation #12

We recommend the department establish procedures to ensure its Schedule of Expenditures of Federal Awards submitted to the Governor's Office are accurate..... 26

Department response: Concur. See page B-7.

Introduction

Introduction

We performed a financial-compliance audit of the Department of Administration (department) for the two fiscal years ended June 30, 2001. The objectives of the audit were to:

1. Make recommendations for improvement in the department's operations including internal and management controls.
2. Test the department's compliance with applicable laws and regulations.
3. Review the implementation status of the prior audit recommendations.
4. Determine if the department's financial schedules present fairly the results of its operations for each of the two fiscal years ended June 30, 2001.

This report contains 12 recommendations to the department. Other areas of concern deemed not to have a significant effect on the successful operations of the department are not included in this report, but have been communicated to management. In accordance with section 5-13-307, MCA, we analyzed and disclosed the costs, if significant, of implementing the recommendations made in this report.

As required by section 17-8-101(6), MCA, we analyzed the rates charged and fund equity in the department's Internal Service Funds. Our findings in this area are presented beginning on page . . .

Department Organization and Functions

The department provides services to other state agencies in the areas of accounting and financial reporting, warrant writing, capitol complex maintenance, state treasury services, insurance coverage, information systems development, personnel management, purchasing, and surplus property administration.

The following paragraphs describe the divisions which perform the department's primary functions.

Introduction

Director's Office - responsible for the overall supervision and coordination of agency programs and administratively attached boards and agencies.

Accounting and Management Support - maintains the Statewide Accounting, Budgeting, and Human Resources System (SABHRS), establishes state accounting policies and procedures, administers the federal Cash Management Improvement Act (CMIA), processes warrants for all state agencies, and prepares the state Comprehensive Annual Financial Report (CAFR). The division also provides management support (accounting, budgeting, payroll, data processing, and personnel management) services to the department.

Architecture and Engineering - manages the remodeling and construction of state buildings. The division also formulates a long-range building plan for legislative consideration each session.

General Services - manages repair and maintenance services for state agencies in the Capitol complex and several state-owned buildings in the Helena area. The division provides locksmith, painting, recycling, remodeling, and construction services, and supervises contracts for mechanical maintenance, pest control, janitorial services, elevator repair, security, maintenance, and garbage collection for state-owned buildings.

Information Technology Services - provides central mainframe computer processing services for statewide data communications networks that access the central mainframe computer. The division designs and develops data processing applications and provides continuous maintenance support. The division also provides data processing training and support, as well as consulting services for microcomputer and office automation systems. Disaster recovery facilities for critical data processing applications are also managed by the Information Technology Services Division (ITSD).

Personnel - provides a program of personnel administration for state agencies including the preparation, maintenance, and distribution of

payroll for all state employees. The division publishes state rules, standards, and policies relating to recruitment, selection, discipline, grievance, performance appraisal, leave and other personnel matters. The division also administers benefits plans including health, life, dental, and vision insurance, flexible spending accounts, a sick leave fund, employee incentive awards, and health promotion.

Procurement and Printing - provides centralized purchasing, printing, graphics, and duplicating services for state agencies, manages the state and federal surplus property programs, provides mail and messenger services for state agencies in the Helena area, administers the statewide fueling network, and coordinates purchases of natural gas and electricity in the open market on behalf of state agencies and other governmental units.

Risk Management and Tort Defense - provides insurance coverage for state agencies, administers the self-insurance and risk management program, and defends state agencies in tort claims lawsuits.

Legislation enacted by the 2001 Legislature reorganized the Department of Commerce and resulted in several programs being transferred to the Department of Administration. Effective July 1, 2001, the Lottery, Banking & Financial Institutions, Local Government Services, and Consumer Affairs functions were transferred to the department.

The 1993 Legislature established the Capitol Restoration Commission (CRC), which is comprised of the Governor, Lieutenant Governor, Secretary of State, Attorney General, President of the Senate, Speaker of the House of Representatives, Superintendent of Public Instruction, and the State Auditor. The commission members may appoint representatives on their behalf. The director of the department serves as commission secretary. The director of the Montana Historical Society and the State Architect serve as technical advisors. The CRC suggests Capitol improvements and assists in fund raising from the private sector.

Introduction

The department director also chairs the Capital Finance Advisory Council (CFAC). Created by executive order of the governor, the CFAC provides oversight of state debt management by performing analysis of prospective financing, existing debt load and trends in public finance markets. The council advises the governor and the Board of Examiners.

Financial activity of three agencies administratively attached to the department, the Teachers' Retirement System (#01-09), the Public Employees' Retirement Administration (#01-08), and the Montana State Fund (#01-05), are presented in separately issued audit reports.

Prior Audit Recommendations

Prior Audit Recommendations

The prior audit report for the two fiscal years ended June 30, 1999 contained 18 recommendations to the department. The department implemented 15 recommendations and did not implement 3 recommendations. Issues related to recommendations not implemented concern Cash Management (page 10), the Energy Procurement and Statewide Refueling Program (page 17), and Bid and Performance Security (page 20).

Findings and Recommendations

Cash Accountability and Internal Management Control Issues

During our audit, we noted several inter-related issues regarding the accounting and management control of cash for the state. The process to record, account, manage and invest the state's cash is a complex and detailed system. The following sections discuss necessary improvements to the system.

Treasury Bank Reconciliations

The department's Treasury Unit functions as the central bank for all state agencies. One of the Treasury Unit's primary functions is the reconciliation of the state's cash balances. Prior to beginning the department audit, during our audit of the General Purpose Financial Statements (GPFS) of the State of Montana (#00-01) for the fiscal year-ended June 30, 2000, we became aware of problems encountered by the Treasury Unit in reconciling the cash balance as of June 30, 2000. The department assigned staff from several functions within the department to work on the cash reconciliation process. In March 2001, after several months and hundreds of staff hours, the department made adjustments totaling \$20,351,055 to the GPFS to correctly reflect the state's cash balances.

During our audit of the department, officials stated they had identified and fixed the problems noted during the GPFS audit. However, we determined that as of August 21, 2001, the department has not yet completed the reconciliation of cash as of June 30, 2000. Based on department documentation, as of August 21, 2001, the unreconciled (unknown) difference between the accounting records (SABHRS) and the bank records for cash as of June 30, 2000 was \$12,866,026. Based on subsequent discussions, the department determined that \$12.3 million of difference was due to the beginning cash balance. On October 10, 2001, the department provided documentation that the unreconciled difference between the bank records and the accounting records was \$323,229. On November 5, 2001, department officials stated they are still working to resolve the remaining difference.

Officials stated the department has been working to resolve the reconciliation concerns and develop policies to address this important function. The department prepared a proposed

Findings and Recommendations

Management Memo "Procedures to Facilitate the State's Bank Reconciliation Process" and submitted it to agencies during FY 2001. However, a department memo dated August 24, 2001 states:

"Based on the review and further analysis of the responses received, it has been decided that the proposed Management Memo, Procedures to Facilitate the State's Bank Reconciliation Process will NOT be implemented at this time. This proposed policy will continue to be reviewed and evaluated on an ongoing basis in the future. If it is determined that it is needed based on future analysis, an updated draft will be issued at that time to agencies. The Accounting Bureau and/or the Treasury Section will meet with individual agencies as problems are identified through the bank reconciliation process."

The ability to promptly reconcile bank records to the accounting records is a key control which management needs to ensure the accounting records accurately reflect the cash balances. State law requires that before the accounts are closed at fiscal year-end, agencies shall input all transactions to present the receipt, use, and disposition of all money and property in accordance with generally accepted accounting principles. The law also provides the general fiscal duties of the state treasurer include receiving and accounting for all money belonging to the state and keeping an account of all money received and disbursed. Management cannot demonstrate compliance with these requirements unless a complete, timely cash reconciliation is done.

Recommendation #1

We recommend the department implement procedures to promptly reconcile cash balances on the accounting records to the bank records as required by state law.

Inter-entity Loans

We noted several instances where the department did not properly account for inter-entity loans or ensure the loans met the criteria in state law prior to approval. Section 17-2-107, MCA, states that when the expenditure of an appropriation from a fund is necessary,

Findings and Recommendations

and the cash balance in the accounting entity from which the appropriation was made is insufficient, the department may authorize a temporary loan from other accounting entities. The law specifies two other criteria before the department may approve a loan: 1) There must be reasonable evidence that the income will be sufficient to repay the loan within one calendar year, and 2) the loan must be recorded on the state's accounting records. Another state law requires that all transactions, including inter-entity loans, be recorded on the state's accounting system in accordance with generally accepted accounting principles (GAAP). The instances that concern us are discussed below.

- ▶ At June 30, 2000, approximately \$9 million of short-term inter-entity loans outstanding should have been recorded as long-term, because they were established prior to June 30, 1999 and the department did not expect the loans to be paid within one year. Both GAAP and state law require that loans which will not be paid back within one year be recorded as long-term. In addition, the department should not have approved the \$9 million in inter-entity loans because the loans could not be repaid within one calendar year as required by law. Department personnel indicate that there is legislative intent that long-term loans not be disbursed from the General Fund unless there is no other place that can provide the money. The personnel said the loans were classified as short-term because agencies intended to repay the loans within one year but they were late paying off their loans. In March 2001, we discussed this issue with department management. They aggressively sought repayment of the loans. However, in order to repay some of the loans, the agency responsible for the majority of the outstanding balance, had to obtain new loans from different funds in order to repay the General Fund. We discuss this problem in our audit of the Department of Public Health and Human Services (DPHHS) for the two fiscal years ended June 30, 2001 (#01-11).
- ▶ In fiscal year 1999-00 we noted the department authorized a blanket loan of \$25 million to one federal special revenue fund at DPHHS. In fiscal year 2000-01, the department authorized another blanket loan of \$30 million to the same federal fund and another \$7 million blanket loan to a state special revenue fund for DPHHS. DPHHS then re-loaned these moneys to other funds within DPHHS. The department does not review these other loans to determine whether the loans meet the criteria specified in law.

Findings and Recommendations

The law allows only the department to approve inter-entity loans. Blanket loans approved by the department giving another agency authority to re-loan money to unidentified entities is not allowed under state law.

- ▶ On June 30, 1999, the department authorized a \$10,000 loan from the General Fund to one agency for costs incurred for a medical conference in fiscal year 1998-99. The agency received the loan and planned to repay it with donations solicited at the conference. On March 21, 2001, the department authorized a \$7,655 loan from the Special Revenue Fund to pay off the outstanding General Fund loan. The source of repayment was indicated "when fees are received from conference." As of June 30, 2001, no donations or fees have been received, and the \$7,655 loan is still outstanding.
- ▶ In March 2001, the department authorized six inter-entity loans totaling \$334,323 to repay prior inter-entity loans. The department continues to record the inter-entity loans on the state's accounting records, even though there is no specific income source or date identified for repayment.
- ▶ We noted a loan document that indicated the department had authorized a new loan to pay off another outstanding loan that was older than one year. The loan documentation indicated there would be a problem repaying the loan but it would be addressed at a later date. The law did not authorize the department to approve this loan.

As previously discussed, implementing procedures to promptly reconcile cash balances and improving compliance with laws regarding inter-entity loans would significantly improve the accounting and management controls.

Recommendation #2

We recommend the department only approve inter-entity loans that comply with the requirements of state law.

Cash Management

The federal Cash Management Improvement Act (CMIA) of 1990 required the U.S. Treasury to enter into agreements with states to establish cash management procedures for certain federal programs. The department is the representative of the state with authority to

Findings and Recommendations

coordinate and interact with the U.S. Department of the Treasury concerning the CMIA. Most federal assistance programs managed by state agencies with program expenditures exceeding \$4 million a year were included in the state's CMIA agreement during fiscal years 1999-00 and 2000-01. Annually the state receives more than \$1 billion from federal programs.

The purpose of the CMIA is to ensure federal moneys are managed to minimize the time elapsed between the transfer of funds from the U.S. Treasury and the disbursement of these funds and to minimize the amount of state cash advanced to federal programs. If the state draws cash from the U.S. Treasury early, causing the state to have excess federal cash, the CMIA requires the department to calculate and pay interest to the U.S. Treasury. If the state requests federal cash at the appropriate time specified in the CMIA but the federal agency delays payment to the state, then the department must calculate the amount of interest that the U.S. Treasury owes the state. We noted the department's policy and procedures are not sufficiently detailed to accurately calculate any interest owed by the parties.

To calculate the amount of interest owed, the department requires each state agency managing the federal programs covered by the CMIA agreement submit a computer spreadsheet showing when cash from federal agencies was requested, received, and disbursed. To verify the spreadsheets are supported by the accounting system, as required by federal regulations, we attempted to trace four spreadsheets, selected judgmentally, to the state's accounting system. We were unable to trace the information contained in the four spreadsheets to the accounting records. We observed another spreadsheet that was submitted to the department that contained erroneous daily cash balances. The daily cash balance never changed in fiscal year 1999-00 even though cash was disbursed and received from the federal government. Another spreadsheet submitted by an agency indicated \$12,805,120 was received from a federal agency when in fact only \$12,925 was received.

Findings and Recommendations

Federal regulations require the state to have a system of control to ensure state agencies are complying with the CMIA. Federal guidelines on internal control activities for the CMIA agreement indicate there should be a written policy which includes programs covered by the agreement, methods of funding to be used, methods used to calculate interest, and procedures for determining warrant clearing patterns. An adequate system of internal control should also provide verification that established policy and procedures are followed.

Department personnel indicated department staff has been assigned to coordinate the state calculation of interest owed the federal government. This coordination has been informal and the personnel rely on agencies with questions or problems to call for assistance. The department personnel provide a blank computer spreadsheet, which includes the headings of information required to be included in the interest calculation. Detailed written instructions are not provided to state agencies for the calculation, and the department does not verify the correctness of the information in the spreadsheets.

We noted similar problems in our audit of the Department of Public Health and Human Services (DPHHS) (#01-11). Employees at DPHHS were not consistently using the form and the information was not correct.

Based on our audits at the department and DPHHS, we determined the spreadsheets and the related interest calculations cannot be relied on and are not supported by the primary accounting records.

Recommendation #3

We recommend the department establish control procedures to ensure compliance with the CMIA agreement.

Payroll Withholdings and Deduction Errors

State law requires the department to maintain accountability for the receipt, use, and disposition of all payroll withholdings and deductions.

Findings and Recommendations

The payroll accounting subsystem accumulates payroll deductions and withholdings from employees' gross pay in an "accountability for advances" account in an Agency Fund prior to disbursement. Other activities accounted for in the account are payroll benefits paid by the employer. Examples of the deductions, withholdings, and employer-paid payroll benefits include federal and state taxes, workers' compensation insurance, health and life insurance premiums, retirement contributions, and flexible spending accounts. All money deposited in the advance account should be disbursed at appropriate times, and the account should always reconcile to zero when taking unpaid amounts into consideration.

At June 22, 2001, the department's payroll reconciliation worksheet identified unresolved errors from fiscal year 1999-00, causing an improper balance in the "accountability for advances" account of the Agency Fund of \$34,097. According to department records the \$34,097 is a net error consisting of \$61,288 in payments that should have been paid but were not, and \$27,191 in excess payments over the amount withheld from the payroll. Department personnel said the errors occurred as part of the accounting system conversion to SABHRS in the first six months of fiscal year 1999-00.

Recommendation #4

We recommend the department properly reconcile and correct errors in the accountability for advances account as required by law.

State Compliance

We tested compliance with state laws and regulations related to department operations. The following sections discuss areas of concern we noted during our testing.

Internal Service Funds

In accordance with section 17-8-101(6), MCA, we reviewed the rates charged and the fund equity of the department's Internal Service Funds. The table on the next page summarizes the various funds and indicates if rates charged during the audit period were commensurate with costs as required by law.

Findings and Recommendations

Table 1
Description of Internal Service Funds

Internal Service Funds and Description	Fund Equity Reasonable	Rates Commensurate with Costs
Legal Services-Advises all divisions within the department on legal matters. Funding is derived from charging the department's non-general fund divisions for services provided.	Yes	Yes
Central Data Processing-Manages central computer service and telecommunications service for state government.	Yes	Yes
Mail and Messenger-Provides mail room staff to operate a centralized mailing operation.	No	No
Rent and Maintenance-Provides, through in-house staff and contracted services, repair, maintenance, security and custodial services for buildings in the Capitol complex and several buildings located throughout Helena	Yes	Yes
Publication and Graphics-Provides services in printing, claims auditing for contracted printing, and administration of a photocopy pool.	Yes	Yes
Central Stores-Purchases, warehouses, sells, and delivers commonly used items to all state agencies and other governments. Items for sale include: office supplies, coarse paper, janitorial supplies, and printed forms	No	Yes
Agency Insurance-Provides for the investigation, defense, and payment of bodily injury and property damage claims incurred by all agencies, officers, and employees of the State of Montana	Yes	No
Bad Debt-Assists in the recovery of funds owed state agencies. Recovered funds, less the costs of collection, are returned to the agency that holds the debt.	Yes	Yes
Energy Procurement Program negotiates rates for natural gas and electricity.	Yes	No
Group Benefits-Provides a variety of insurance plans for state employees, retirees, and their dependents	Yes	Yes
Data Processing Unit Proprietary Funding-The fund is from three different sources: the network support unit charges a per computer fee for network support, programming is offered on a per hour basis, and computer maintenance	Yes	Yes
Statewide Fueling Account-Provides a fueling network available for all public vehicles including an automated accounting and transaction processing function.	No	No
Payroll-Provides for preparation and distribution of payroll and associated withholding and deductions of state employees	Yes	Yes
Warrant Writing-Provides the warrant writer program to most state agencies for warrant writing.	No	No
Inter-Governmental Training-Provides a variety of training products and facilitation services to state agencies on a fee reimbursement basis	Yes	Yes
Procurement Card Purchases-Recovers the cost of administering the state procurement card system	No	No

Internal Service Funds with a **No** are discussed on pages 15 through 17.

Source: Compiled by the Legislative Audit Division.

Findings and Recommendations

The following sections describe situations where fund equity was not reasonable and/or rate structures were not commensurate with costs.

Warrant Writer Rates Below Cost

During the course of our audit, we noted the Warrant Writer Internal Service Fund did not recover its cost of operating in either fiscal year 1999-00 or fiscal year 2000-01. In fiscal year 1999-00, the Warrant Writer Internal Service Fund received \$730,113 in revenue and spent \$776,440. In fiscal year 2000-01 the fund collected \$735,163 and spent \$766,578. The fund had no working capital at June 30, 2001. The Warrant Writer Internal Service Fund may retain 60 days of working capital, or \$127,763. According to department personnel, the implementation of a new computer system brought unexpected costs, which were not included in the rates established by the legislature. The personnel said the department needed to hire extra help to record approximately 40,000 vendors on the new computer system. Also, they indicated that warrant stock for the new system was more costly than that used in the previous system. This was an unexpected, direct result of the new computer system.

Mail and Messenger Internal Service Fund

The Mail and Messenger Internal Service Fund fees were higher than necessary to pay its operating expenses in fiscal year 1999-00 and revenues were less than expenses in fiscal year 2000-01. In fiscal year 1999-00 the Internal Service Fund received \$3,688,480 in revenue and spent \$3,402,659. In the next fiscal year the fund collected \$3,191,809 and spent \$3,259,984. The fund had \$597,417 in working capital at June 30, 2001, which is \$54,086 more than the 60 days working capital allowed in federal and state regulations. Department personnel indicated they reduced the fees in the Mail and Messenger Internal Service Fund for fiscal year 2000-01 to begin reducing working capital. The department should continue to monitor this operation to ensure working capital does not exceed the 60-day requirement.

Purchasing Card Internal Service Fund

The Purchasing Card Purchases Internal Service Fund fees exceeded its costs in fiscal year 1999-00. In fiscal year 1999-00 the Internal Service Fund received \$7,445 in revenue and spent \$3,723. In fiscal year 2000-01, this fund received \$12,983 and spent \$6,112. The

Findings and Recommendations

fund had \$12,592 in working capital at June 30, 2001, which is \$11,573 more than the 60 days working capital allowed in federal and state regulations. Fiscal year 1999-00 was the first year of operation for this fund as an Internal Service Fund. Personnel stated fees are established by the legislature every two years. They stated whenever revenues are not commensurate with costs the department will recommend an adjustment to the legislature. However, the fees set by the legislature are the maximum amount. We noted state law allows the department to adjust rates as necessary to maintain a maximum of 60 days of working capital. The department can and should have reduced the rates to comply with the law.

Central Stores Internal Service Fund

The Central Stores Internal Service Fund collected 24 percent more revenue in fiscal year 2000-01 than in the previous year. Expenses increased only 7 percent. Consequently, revenue exceeded expenses by \$488,292 in this Internal Service Fund. At June 30, 2001, working capital exceeded 60 days by \$317,550. Employees stated they increased the mark-up on several categories and decreased existing inventory intending to increase their working capital. At the end of fiscal year 1999-00, working capital was \$133,464 below the maximum limit.

Agency Insurance Internal Service Fund

The Agency Insurance Internal Service Fund costs exceeded its revenues in both fiscal years 1999-00 and 2000-01. In fiscal year 1999-00, the Internal Service Fund received \$6,826,551 in revenue and spent \$23,329,650. In fiscal year 2000-01, the fund collected \$6,799,351 in revenue and spent \$7,578,126. A department official indicated that fiscal year 1999-00 was the worst year for claims since 1972. In response, the department increased rates for fiscal years 2001-02 and 2002-03 by 39 percent and 50 percent, respectively, over the 1999-00 rate. The official said it is difficult to predict when lawsuits will occur, how much they will cost, and what juries will award. He indicated that raising the rates should allow the fund to maintain a positive cash flow and pay claims as they come due.

Findings and Recommendations

Recommendation #5

We recommend the department ensure Internal Service Fund rates are commensurate with costs as required by law.

Energy Procurement and Statewide Fueling Program

The department manages the statewide fueling program to provide a fueling network for state and local government vehicles. In the past two audit reports, and again in this report, we noted the department is not properly accounting for all financial activities of the Energy Procurement and Fueling Program Internal Service Fund in accordance with state law. The department omits the cost of managing the program. Costs do not include the costs of the person who administers the program. These costs should have been included in the calculation of fees charged for services. The position was, and is currently, funded by the General Fund.

State law for Internal Service Funds require the program be operated on a cost reimbursement basis. Because the department does not include all the costs of the energy purchasing and state fueling programs in the Internal Service Fund, it is not billing the full costs. The department should use the Internal Service Fund by including the cost of managing the program and showing a subsidy from the General Fund for the salary of the person administering the program.

A department official indicated in response to the prior audit, the department presented alternatives for reporting this activity to the 2001 Legislative Session. The legislature chose to keep this activity as an Internal Service Fund. Therefore the department should record all the costs of the program in the Internal Service Fund as required by state law and record a transfer from the General Fund.

Recommendation #6

We recommend the department include all costs when setting rates for the Energy Procurement and Fueling Program consistent with state law.

Findings and Recommendations

Duplicative Accounting Systems

The colleges and universities maintain the same accounting information on two accounting systems, the SABHRS system, and the Banner accounting system. Keeping the two systems reconciled and working properly is labor intensive and costly for the university system. All of the university accounting information contained on the university's Banner accounting system is summarized and transmitted to SABHRS. University personnel must reconcile the accounting systems daily, and they are frequently required to enter complex transactions on one or both systems to keep the systems reconciled. Routine revenue and expenditure transactions are uploaded to SABHRS via a Banner/SABHRS interface computer program. The interface software needs to be modified and tested every time either the Banner or the SABHRS system's software is upgraded. Banner or SABHRS upgrades are occurring about once each year causing the university to frequently incur the interface programming costs.

The university system officials estimate the duplicative accounting systems costs the university system more than \$532,000 each year in direct systems costs. In addition, the duplication causes a significant increase in the workload of administrative, budgeting, and accounting personnel. We were unable to estimate the administrative cost, but we believe it is significant.

In November 1997, the Board of Regents, which has authority to manage the universities, adopted the "Banner" accounting system to be used by all state-owned colleges and universities. The Board believed that the Banner system would provide the necessary information to best manage the universities. The colleges and universities needed to maintain academic records and financial aid records for approximately 31,600 student FTEs. At the time the decision was made by the Board of Regents to adopt the Banner system, the SABHRS system vendor did not have integrated student academic record and financial aid systems. The state SABHRS system does not currently have these capabilities.

Findings and Recommendations

State law, section 17-1-102, MCA, requires the department to establish a system of financial control that eliminates duplication of work by different state agencies and reduces the cost of state government. The law requires that the department shall prescribe and install a uniform accounting and reporting system for all state agencies. The department has prescribed that SABHRS shall be used by all agencies. However, as noted above, this results in duplication. The law requires that all state agencies, including units of the university system, input all transactions necessary to report the receipt, use, and disposition of all public money and property in accordance with generally accepted accounting principles.

One of the concerns expressed in support of the Banner SABHRS interface is the belief that the Banner system is not readily available to the people who currently have access to SABHRS and use it to obtain financial information about the university system. The university system could address this concern by increasing user access to the Banner accounting system. The University System should take measures to ensure the Banner system information is available to all users. If the university can demonstrate the Banner system can meet the needs of all users, the duplication could be eliminated. Any modification or implementation costs would be offset by future cost savings from eliminating the current duplication.

State law allows the department discretion on how the uniform accounting system is defined in state policy. The department could define uniform accounting and reporting system as SABHRS (as it is currently doing) or as Banner for colleges and universities and SABHRS for all other state agencies. The department should work with the Board of Regents, the Governor's Office of Budget and Program Planning, and the legislature to eliminate the duplicate accounting systems and reduce the cost of accounting and other administrative activities.

Findings and Recommendations

Recommendation #7

- A. We recommend the university system ensure the Banner accounting system is accessible to and meets the information needs of users of the university financial information.
- B. We recommend the department work with the university system to eliminate the duplicative accounting systems at state colleges and universities.

Bid and Performance Security

The department is not properly managing its 17 bid and performance security deposits. This concern was also addressed in our prior audit report. In accordance with section 18-1-202, MCA, the department requires bid and project completion security deposits from vendors. Most contractors provide surety bonds purchased from licensed surety companies. Some bid security deposits consist of certificates of deposit (CDs).

We noted the department continues to record 15 security deposits for completed projects amounting to \$63,203 on the state's accounting records. Twelve of the 15 security deposits, reported as "property held in trust," appear to no longer be held by the state. We did not find these security deposits in the department's vault, but they are still recorded on the accounting records. The other three security deposits are stored in the department's vault but should have been returned to the contractor upon completion of the contract, and the deposit amount of \$13,725 should be removed from the accounting records.

We noted only two security deposits amounting to \$71,788 in the vault for projects that are to be completed in the future. Neither of these deposits met the requirement in state regulation that states,

Findings and Recommendations

“The security must be payable to the state of Montana and the contract performance security must remain in effect for the entire contract period.” One of the two deposits was made payable to the contractor, and not to the state of Montana. The other security has expired but the contract has not yet been completed.

The department person responsible for removing the security deposits from the accounting records was on extended family leave, and no other department personnel monitored the securities in her absence. The department should ensure backup procedures are in place when staff are absent for extended periods.

Recommendation #8

We recommend the department improve control procedures over bid and performance security deposits to ensure compliance with state law.

Approval of Exempt Personal Staff

Section 2-18-104, MCA, allows elected officials to hire up to 15 personal staff who are exempt from the statewide classification and pay plan. The law requires the elected official to certify exempt employees meet certain qualifications for exempt personal staff positions in excess of 10. Section 3-0401-1709, Montana Operations Manual (MOM) provides the criteria for the department to approve requests by elected officials to have more than 10 exempt personal staff. The section requires elected officials to submit the names of exempt staff and their position descriptions for approval by the department.

Two department personnel indicated currently there is no documented approval process at the department before elected officials can establish personal staff positions in excess of 10, but not exceeding 15, as required by state law. The department personnel indicated they receive notification from offices of applicable elected officials listing the exempt personal staff. However, the department does not document the approval of the staff position prior to putting

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them on the payroll. The department could document the approval by a letter to the elected official's office.

Recommendation #9

We recommend the department document the approval of exempt personal staff of elected officials when the total number of these positions exceeds ten, as required by law.

Federal Compliance

The department receives financial assistance from several federal agencies to operate assistance and service programs. The department spent nearly \$1,900,000 and \$2,225,000 of federal assistance during fiscal years 1999-00 and 2000-01. The following section discusses a concern regarding the department's compliance with federal reporting requirements identified during the audit.

Inaccurate Federal PILT Report

Payments in Lieu of Taxes (PILT) are federal payments to states and local governments that help offset losses in property taxes due to nontaxable federal lands within their boundaries. Federal regulations require the governor to submit an annual PILT report of Forest Service and Taylor Grazing receipts which were passed through the state to local governments between October 1 and September 30 of each year. During the period October 1, 1999 to September 30, 2000, the department paid \$4,120,747 of these federal moneys to counties as required by state law. However, the department prepared a report, signed by the governor, which erroneously indicated the state paid \$4,700,747 to counties during that time frame. The difference in the two amounts, \$580,139 of Forest Service payments, had been received by the state but was not passed to the counties until March 2001. The department relied on information from another agency. When preparing the report, the department was not aware the \$580,139 had not been passed on to the counties. The federal regulations require any amounts received by the state during the report period, but not yet passed to local governments, be noted on the report as received but not yet paid. This amount should be reported as paid in the subsequent annual PILT report.

Findings and Recommendations

Recommendation #10

We recommend the department accurately complete the Payments in Lieu of Taxes report as required by federal regulations.

Accounting Issues

The following describe various classification errors in the department's accounting records. State law requires the department input all necessary transactions before the end of the fiscal year to present the receipt, use, and disposition of all money and property, for which it is accountable, in accordance with generally accepted accounting principles. The one exception to this is that the department is required to record certain encumbrances as expenditures and liabilities. These are commonly referred to as "A" accruals. The department also establishes state accounting policy to implement this law.

- ▶ The department attempted to correct its Asset Management System (AMS) for an omitted item of equipment. The equipment was properly recorded on the department's general ledger, but not reported on the AMS. When an employee adjusted the AMS to include the item, the AMS automatically calculated and booked accumulated depreciation on the general ledger a second time based on the equipment's purchase date and its useful life. A department person responsible for recording the transaction said he had asked accounting system personnel about the transaction and they told him the transaction would not post depreciation but it did. The department identified the error and corrected it on August 1, 2000. This error caused depreciation to be overstated by \$8,323,813 and fund balance to be understated by the same amount in the Internal Service Fund during fiscal year 1999-00.
- ▶ The department improperly recorded one revenue estimate twice on the accounting system in each fiscal year. Charges for services was overestimated by \$33,429,000 for the Information Systems Division Internal Service Fund in fiscal years 1999-00 and 2000-01. A division fiscal officer indicated the revenue estimates were originally set up for several functions on the accounting system. They were later set up again for a single function but were inadvertently not removed from the initial set-ups.

Findings and Recommendations

- ▶ Security lending earnings were improperly classified as budgeted revenue on the state's accounting system for fiscal years 1999-00 and 2000-01. A department official indicated this was an error and it should have been recorded as non-budgeted revenue to comply with department accounting policy. Non-budgeted Revenue & Transfers-in is understated by \$2,909,787 and \$1,360,440 and Actual Budgeted Revenue & Transfers-in is overstated in the General Fund for each year respectively. Non-budgeted Revenue & Transfers-in is understated by \$292,652 and \$189,401 and Actual Budgeted Revenue & Transfers-in is overstated in the Internal Service Fund for each year respectively. Department officials stated this has been corrected beginning in fiscal year 2001-02.
- ▶ In fiscal year 2000-01 the department improperly calculated the state's arbitrage liability. The person at the department responsible for calculating the liability added \$26,647 to the liability when the liability should have been reduced by that amount. Also the liability calculation did not take into account an arbitrage yield reduction payment that was due to the federal government in August 2001. The net result of the two calculation errors caused arbitrage liabilities to be overstated by \$18,746 at June 30, 2001.
- ▶ During fiscal year 2001, the department recorded general obligation debt for a Coal Severance Tax bond issuance in the amount of \$3,040,000. These bonds were already properly recorded as special revenue bonds by another state agency. The department also did not record \$1,287,686 of general obligation debt associated with resource development bonds administered by the Department of Natural Resources and Conservation. As a result of these errors, bonds payable in the Long Term Debt Account Group was overstated by \$1,752,314 at June 30, 2001.
- ▶ At fiscal year-end 2000-01, the department improperly booked "Due from the federal government" and "Federal Revenue" in the amount of \$52,993 after it recorded an encumbrance transaction in the same amount. The transaction was recorded because state policy generally requires federal expenditures to equal federal revenue, except for encumbrance transactions. The person who recorded the transaction was not aware of the exception in the state policy for this transaction type.
- ▶ The department's Intergovernmental Training Internal Service Fund improperly reported on its fiscal year 2000-01 financial records \$65,860 of moneys collected as revenue rather than deferred revenue. The moneys were collected in fiscal year

Findings and Recommendations

2000-01 from state agencies to be used for training programs that would not occur until fiscal year 2001-02. State law and accounting policy require that internal service funds record revenue only for collections or amounts that are earned. The law and policy require that amounts collected for which the earning process is not yet complete be recorded as deferred revenue. Since the Internal Service Fund does not earn the amount collected until the training is provided, the \$65,860 should have been recorded as deferred revenue rather than revenue.

- ▶ The department's Rent and Maintenance Division purchased two trucks, one in fiscal year 1998-99 and the other in fiscal year 1999-00. The department recorded a credit to non-budgeted expenditures to capitalize three trucks instead of two. Due to the accounting errors the department expenditures are understated by \$13,848, and fund balance is overstated by the same amount in the Rent and Maintenance Internal Service Fund. The asset management system also reports more trucks than the department owns.
- ▶ The Agency Fund incorrectly reports a fund balance for both fiscal years. Agency Funds do not have a fund balance by definition. In recording activity for FY 1999-00, a direct entry to fund balance of \$1,663 was incorrectly recorded by another agency resulting in a \$1,663 fund balance at June 30, 2000. During FY 2000-01, the department attempted unsuccessfully to correct the error. Instead of correcting the error, it became worse. At June 30, 2001, the Agency Fund reflects a negative fund balance of \$2,363. The department should adjust the accounting records to eliminate the fund balance in the Agency Fund.

Recommendation #11

We recommend the department properly record financial activity as required by law.

Schedule of Expenditures of Federal Awards

Department personnel prepare a Schedule of Expenditures of Federal Awards (SEFA) each fiscal year. The Governor's Office compiles agency SEFA information into a single SEFA for the state of Montana. We audit and express an opinion on the state of Montana SEFA in our biennial Single Audit report.

Findings and Recommendations

We noted the department erroneously reported \$623,763 in federal grant expenditures for the Montana Cadastral Database (MCD) for fiscal year 1999-2000 SEFA to the Governor's Office. The department actually expended \$749,996 for MCD. Federal regulations and state policy require the recipients of federal assistance to accurately report the expenditures for each assistance program. The accounting records must support the reports. The person preparing the report indicated he erroneously excluded all accrued expenditure transactions posted during the fiscal year-end accounting period.

Recommendation #12

We recommend the department establish procedures to ensure its Schedule of Expenditures of Federal Awards submitted to the Governor's Office are accurate.

Independent Auditor's Report & Agency Financial Schedules

LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel



Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
Tori Hunthausen, IS Audit & Operations
James Gillett, Financial-Compliance Audit

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying Schedules of Changes in Fund Balances & Property Held in Trust, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out of the Department of Administration for each of the fiscal years ended June 30, 2001 and 2000. The information contained in these financial schedules is the responsibility of the department's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the financial schedules are presented on a comprehensive basis of accounting other than generally accepted accounting principles. The schedules are not intended to be a complete presentation and disclosure of the department's assets, liabilities, and cash flows.

During the fiscal year 1999-00 closing process, the department failed to properly close a negative cash balance of \$1,387,350 at another agency to the General Fund. The failure to close the cash to the General Fund resulted in Direct Entries to Fund Balance, Total Additions, and Fund Balance at June 30, 2000, being overstated by \$1,387,350 on the Schedule of Changes in Fund Balances & Property Held in Trust for the fiscal year then ended.

The department did not correctly record depreciation for an item of equipment in the Internal Service Fund in fiscal year 1999-00, causing an \$8,323,813 overstatement of Other Expenses on the Schedule of Total Expenditures & Transfers-Out and an understatement of June 30, 2000, Fund Balance on the Schedule of Changes in Fund Balances & Property Held in Trust in the same amount.

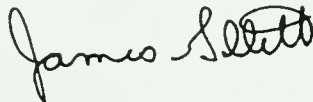
The department improperly classified security lending earnings as budgeted revenue on the Schedules of Total Revenues & Transfers-In and the Schedules of Changes in Fund Balances & Property Held in Trust for fiscal years 1999-00 and 2000-01. Non-budgeted Revenue & Transfers-In is understated and Actual Budgeted Revenue & Transfers-In is overstated in the General Fund by \$2,909,787 and \$1,360,440 for

each year, respectively. Non-budgeted Revenue & Transfers-In is understated and Actual Budgeted Revenue & Transfers-In is overstated in the Internal Service Fund by \$292,652 and \$189,401 for each year, respectively.

The department improperly recorded a charges for services revenue estimate twice on the accounting records in each fiscal year. This caused Internal Service Fund Estimated Revenues and Transfers-In to be overstated and Budgeted Revenues & Transfers-In Over (Under) Estimated by Class to be understated by \$33,429,000 on the Schedules of Total Revenues & Transfers-In for fiscal years 2000-01 and 1999-00.

In our opinion, except for the effects of the matters discussed in the four preceding paragraphs, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances and property held in trust of the Department of Administration for each of the fiscal years ended June 30, 2001, and 2000, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "James Gillett", with a stylized flourish at the end.

James Gillett, CPA
Deputy Legislative Auditor

August 14, 2001

	le d	Nonexpendable Fund	Unexpended Plant Fund	Renewal & Replacement Fund
FUND BALANCE: July 1, 2000	1	\$ 224	\$ (533,570)	\$ (87,713)
PROPERTY HELD IN TRUST: July 1, 2000				
ADDITIONS				
Budgeted Revenues & Transfers-In				
NonBudgeted Revenues & Transfers-In	1			
Prior Year Revenues & Transfers-In Adjustments	7			
Direct Entries to Fund Balance	5)		2,062,696	221,750
Additions To Property Held in Trust				
Total Additions	7)		2,062,696	221,750
REDUCTIONS				
Budgeted Expenditure & Transfers-Out			1,567,183	136,087
NonBudgeted Expenditure & Transfers-Out	0			
Prior Year Expenditure & Transfers-Out Adjustments				
Reductions in Property Held in Trust				
Total Reductions	0		1,567,183	136,087
FUND BALANCE: June 30, 2001	4	\$ 224	\$ (38,057)	\$ (2,050)
PROPERTY HELD IN TRUST: June 30, 2001				

This schedule is prepared from the Statewide Accounting on page A-11.

DEPARTMENT OF ADMINISTRATION
SCHEDULE OF CHANGES IN FUND BALANCES & PROPERTY HELD IN TRUST
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>	<u>Agency Fund</u>	<u>Expendable Trust Fund</u>	<u>Nonexpendable Fund</u>	<u>Unexpended Plant Fund</u>	<u>Renewal & Replacement Fund</u>
FUND BALANCE: July 1, 2000	\$ 194,771,998	\$ 1,447,338	\$ 3,266,747	\$ 27,411,035	\$ 1,034,763	\$ (4,419,233)	\$ 1,663	\$ 1,677,341	\$ 224	\$ (533,570)	\$ (87,713)
PROPERTY HELD IN TRUST: July 1, 2000							\$ 289,981				
ADDITIONS											
Budgeted Revenues & Transfers-In	31,980,881	1,581,062		21,100,323	4,130,868	118,376,272					
NonBudgeted Revenues & Transfers-In	(1,306,440)	1,188,147	23,361,766	70,518	5	(146,410)		181,351			
Prior Year Revenues & Transfers-In Adjustments	125,666	154,943	28,830			(2,268,171)		426,287			
Direct Entries to Fund Balance	(1,451,546)	11,612,353		5,173,587	210,786	(303,113)	(4,026)	(944,895)		2,062,696	221,750
Additions To Property Held in Trust							85,916				
Total Additions	<u>29,348,561</u>	<u>14,536,505</u>	<u>23,390,596</u>	<u>26,344,428</u>	<u>4,341,659</u>	<u>115,658,578</u>	<u>81,890</u>	<u>(337,257)</u>		<u>2,062,696</u>	<u>221,750</u>
REDUCTIONS											
Budgeted Expenditure & Transfers-Out	23,153,017	14,964,977		23,782,215	4,194,547	122,622,489				1,567,183	136,087
NonBudgeted Expenditure & Transfers-Out	3,226,418	66,603	23,143,501	4,005,618	(34,236)	1,137,687		459,380			
Prior Year Expenditure & Transfers-Out Adjustments	1,412,034	65,148	24,227		14,398	(7,918,928)					
Reductions in Property Held in Trust							74,541				
Total Reductions	<u>27,791,469</u>	<u>15,096,728</u>	<u>23,167,728</u>	<u>27,787,833</u>	<u>4,174,709</u>	<u>115,841,248</u>	<u>74,541</u>	<u>459,380</u>		<u>1,567,183</u>	<u>136,087</u>
FUND BALANCE: June 30, 2001	\$ 196,329,090	\$ 887,115	\$ 3,489,615	\$ 25,967,630	\$ 1,201,713	\$ (4,601,903)	\$ (2,363)	\$ 880,704	\$ 224	\$ (38,057)	\$ (2,050)
PROPERTY HELD IN TRUST: June 30, 2001							\$ 301,356				

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

	Nonexpendable Fund	Unexpended Plant Fund	Renewal & Replacement Fund
FUND BALANCE: July 1, 1999	\$ <u>224</u>	\$ <u>(856,847)</u>	\$ <u>(26,143)</u>
PROPERTY HELD IN TRUST: July 1, 1999			
ADDITIONS			
Budgeted Revenues & Transfers-In			
NonBudgeted Revenues & Transfers-In			
Prior Year Revenues & Transfers-In Adjustments			
Direct Entries to Fund Balance		6,853,669	337,412
Additions To Property Held in Trust		<u>6,853,669</u>	<u>337,412</u>
Total Additions			
REDUCTIONS			
Budgeted Expenditure & Transfers-Out		6,530,392	398,982
NonBudgeted Expenditure & Transfers-Out			
Prior Year Expenditure & Transfers-Out Adjustments			
Reductions in Property Held in Trust		<u>6,530,392</u>	<u>398,982</u>
Total Reductions			
FUND BALANCE: June 30, 2000	\$ <u>224</u>	\$ <u>(533,570)</u>	\$ <u>(87,713)</u>
PROPERTY HELD IN TRUST: June 30, 2000			

This schedule is prepared from the Statewide Accounting Schedule A-11.

DEPARTMENT OF ADMINISTRATION
SCHEDULE OF CHANGES IN FUND BALANCES & PROPERTY HELD IN TRUST
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>	<u>Agency Fund</u>	<u>Expendable Trust Fund</u>	<u>Nonexpendable Fund</u>	<u>Unexpended Plant Fund</u>	<u>Renewal & Replacement Fund</u>
FUND BALANCE: July 1, 1999	\$ 188,163,766	\$ 2,566,501	\$ 4,593,935	\$ 41,680,401	\$ 442,403	\$ 21,829,684	\$ 0	\$ 184,336,092	\$ 224	\$ (856,847)	\$ (26,143)
PROPERTY HELD IN TRUST: July 1, 1999							\$ 317,525				
ADDITIONS											
Budgeted Revenues & Transfers-In	27,636,019	972,321		24,581,650	3,731,223	116,149,920					
NonBudgeted Revenues & Transfers-In	(2,770,407)	977,608	17,371,105	253,501	10	(170,962)		712,459			
Prior Year Revenues & Transfers-In Adjustments	6,662					214,496					
Direct Entries to Fund Balance	(813,969)	9,326,947	73,673	6,053,142	623,095	6,349		(183,069,379)		6,853,669	337,412
Additions To Property Held in Trust							60,083				
Total Additions	<u>24,058,305</u>	<u>11,276,876</u>	<u>17,444,778</u>	<u>30,888,293</u>	<u>4,354,328</u>	<u>116,199,803</u>	<u>61,746</u>	<u>(182,356,920)</u>		<u>6,853,669</u>	<u>337,412</u>
REDUCTIONS											
Budgeted Expenditure & Transfers-Out	17,454,046	12,663,103		41,264,378	3,789,078	122,598,313				6,530,392	398,982
NonBudgeted Expenditure & Transfers-Out		79,362	18,771,966	3,893,281	(26,451)	16,278,345		301,831			
Prior Year Expenditure & Transfers-Out Adjustments	(3,973)	(346,426)			(659)	3,572,062					
Reductions in Property Held in Trust							87,627				
Total Reductions	<u>17,450,073</u>	<u>12,396,039</u>	<u>18,771,966</u>	<u>45,157,659</u>	<u>3,761,968</u>	<u>142,448,720</u>	<u>87,627</u>	<u>301,831</u>		<u>6,530,392</u>	<u>398,982</u>
FUND BALANCE: June 30, 2000	\$ 194,771,998	\$ 1,447,338	\$ 3,266,747	\$ 27,411,035	\$ 1,034,763	\$ (4,419,233)	\$ 1,663	\$ 1,677,341	\$ 224	\$ (533,570)	\$ (87,713)
PROPERTY HELD IN TRUST: June 30, 2000							\$ 289,981				

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

	Internal Service Fund	Expendable Trust Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS			
Taxes	957		1,367
Charges for Services	107,645,719		115,974,381
Investment Earnings	2,738,136	\$ 4,188	26,587,323
Fines and Forfeits			4,061,346
Sale of Documents, Merchandise and Property	5,242,942		5,242,942
Rentals, Leases and Royalties			1,851
Miscellaneous	308,865		496,498
Grants, Contracts, Donations and Abandonments	5,529	603,450	833,049
Other Financing Sources	19,543		44,311,867
Federal			1,475,274
Total Revenues & Transfers-In	115,961,691	607,638	198,985,898
Less: Nonbudgeted Revenues & Transfers-In	(146,410)	181,351	23,348,937
Prior Year Revenues & Transfers-In Adjust	(2,268,171)	426,287	(1,532,445)
Actual Budgeted Revenues & Transfers-In	118,376,272	0	177,169,406
Estimated Revenues & Transfers-In	151,077,315	0	260,939,333
Budgeted Revenues & Transfers-In Over (Under) Est	(32,701,043)	\$ 0	\$ (83,769,927)
BUDGETED REVENUES & TRANSFERS-IN OVER			
Licenses and Permits			\$ (3,000)
Charges for Services	(33,851,999)		(34,747,536)
Investment Earnings	526,124		2,499,788
Fines and Forfeits			(340,312)
Sale of Documents, Merchandise and Property	1,168,676		1,168,676
Rentals, Leases and Royalties			(1,149)
Miscellaneous	207,791		(543,912)
Grants, Contracts, Donations and Abandonments			(254,997)
Other Financing Sources	(751,635)		(51,695,816)
Federal		\$	148,331
Budgeted Revenues & Transfers-In Over (Under) Est	(32,701,043)	\$ 0	\$ (83,769,927)

This schedule is prepared from the Statewide Account Schedules beginning on page A-11.

DEPARTMENT OF ADMINISTRATION
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>	<u>Expendable Trust Fund</u>	<u>Total</u>
TOTAL REVENUES & TRANSFERS-IN BY CLASS								
Taxes	\$ 349	\$ 1		\$ 56	\$ 4	\$ 957		1,367
Charges for Services	4,793,476	21,430	\$ (543,755)	(68,055)	4,125,566	107,645,719		115,974,381
Investment Earnings	21,531,903	251,100	1,755,380	301,313	5,303	2,738,136	\$ 4,188	26,587,323
Fines and Forfeits	4,061,346							4,061,346
Sale of Documents, Merchandise and Property						5,242,942		5,242,942
Rentals, Leases and Royalties	1,851							1,851
Miscellaneous	62	105,201		82,370		308,865		496,498
Grants, Contracts, Donations and Abandonments	1,581	222,489				5,529	603,450	833,049
Other Financing Sources	209,202	1,048,994	22,178,971	20,855,157		19,543		44,311,867
Federal	200,337	1,274,937						1,475,274
Total Revenues & Transfers-In	<u>30,800,107</u>	<u>2,924,152</u>	<u>23,390,596</u>	<u>21,170,841</u>	<u>4,130,873</u>	<u>115,961,691</u>	<u>607,638</u>	<u>198,985,898</u>
Less: Nonbudgeted Revenues & Transfers-In	(1,306,440)	1,188,147	23,361,766	70,518	5	(146,410)	181,351	23,348,937
Prior Year Revenues & Transfers-In Adjustments	<u>125,666</u>	<u>154,943</u>	<u>28,830</u>	<u>0</u>	<u>0</u>	<u>(2,268,171)</u>	<u>426,287</u>	<u>(1,532,445)</u>
Actual Budgeted Revenues & Transfers-In	31,980,881	1,581,062	0	21,100,323	4,130,868	118,376,272	0	177,169,406
Estimated Revenues & Transfers-In	31,626,398	3,506,997	0	69,871,204	4,857,419	151,077,315	0	260,939,333
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ 354,483</u>	<u>\$ (1,925,935)</u>	<u>\$ 0</u>	<u>\$ (48,770,881)</u>	<u>\$ (726,551)</u>	<u>\$ (32,701,043)</u>	<u>\$ 0</u>	<u>\$ (83,769,927)</u>
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS								
Licenses and Permits	\$ (3,000)							\$ (3,000)
Charges for Services	53,641	\$ 19,730		\$ (243,055)	\$ (725,853)	\$ (33,851,999)		(34,747,536)
Investment Earnings	2,087,272	(97,862)		(15,048)	(698)	526,124		2,499,788
Fines and Forfeits	(340,312)							(340,312)
Sale of Documents, Merchandise and Property						1,168,676		1,168,676
Rentals, Leases and Royalties	(1,149)							(1,149)
Miscellaneous	(38)	(751,635)		(30)		207,791		(543,912)
Grants, Contracts, Donations and Abandonments		(254,997)						(254,997)
Other Financing Sources	(1,392,268)	(1,039,165)		(48,512,748)		(751,635)		(51,695,816)
Federal	(49,663)	197,994	\$				\$	148,331
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ 354,483</u>	<u>\$ (1,925,935)</u>	<u>\$ 0</u>	<u>\$ (48,770,881)</u>	<u>\$ (726,551)</u>	<u>\$ (32,701,043)</u>	<u>\$ 0</u>	<u>\$ (83,769,927)</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

	Internal Service Fund	Expendable Trust Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS			
Taxes	630		1,062
Charges for Services	107,891,523		116,556,442
Investment Earnings	1,429,416	\$ 2,170	19,015,811
Fines and Forfeits			4,041,596
Sale of Documents, Merchandise and Property	4,263,829		4,263,829
Rentals, Leases and Royalties			842
Miscellaneous	2,551,867		2,568,356
Grants, Contracts, Donations and Abandonments		710,289	775,498
Other Financing Sources	56,189		41,550,732
Federal			891,437
Total Revenues & Transfers-In	116,193,454	712,459	189,665,605
Less: Nonbudgeted Revenues & Transfers-In	(170,962)	712,459	16,373,314
Prior Year Revenues & Transfers-In Adjustments	214,496	0	221,158
Actual Budgeted Revenues & Transfers-In	116,149,920	0	173,071,133
Estimated Revenues & Transfers-In	151,261,236	0	275,717,834
Budgeted Revenues & Transfers-In Over (Under) Estimated	(35,111,316)	\$ 0	\$ (102,646,701)
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED			\$ (3,000)
Licenses and Permits			0
Taxes	(35,035,042)		(36,624,014)
Charges for Services	(1,888,151)		(9,500,715)
Investment Earnings			(135,550)
Fines and Forfeits	141,107		141,107
Sale of Documents, Merchandise and Property			(2,158)
Rentals, Leases and Royalties	2,430,190		1,670,759
Miscellaneous			(429,099)
Grants, Contracts, Donations and Abandonments	(759,420)		(57,283,468)
Other Financing Sources			(480,563)
Federal		\$	
Budgeted Revenues & Transfers-In Over (Under) Estimated	(35,111,316)	\$ 0	\$ (102,646,701)

This schedule is prepared from the Statewide Accounting Schedules beginning on page A-11.

DEPARTMENT OF ADMINISTRATION
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Enterprise Fund	Internal Service Fund	Expendable Trust Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS								
Taxes	\$ 406	\$ 24			\$ 2	\$ 630		1,062
Charges for Services	4,285,556	35,300	\$ 543,755	\$ 72,900	3,727,408	107,891,523		116,556,442
Investment Earnings	16,088,271	217,949	759,588	514,594	3,823	1,429,416	\$ 2,170	19,015,811
Fines and Forfeits	4,041,596							4,041,596
Sale of Documents, Merchandise and Property						4,263,829		4,263,829
Rentals, Leases and Royalties	842							842
Miscellaneous	3,720	12,769				2,551,867		2,568,356
Grants, Contracts, Donations and Abandonments		65,209					710,289	775,498
Other Financing Sources	254,124	925,000	16,067,762	24,247,657		56,189		41,550,732
Federal	197,759	693,678						891,437
Total Revenues & Transfers-In	24,872,274	1,949,929	17,371,105	24,835,151	3,731,233	116,193,454	712,459	189,665,605
Less: Nonbudgeted Revenues & Transfers-In	(2,770,407)	977,608	17,371,105	253,501	10	(170,962)	712,459	16,373,314
Prior Year Revenues & Transfers-In Adjustments	6,662	0	0	0	0	214,496	0	221,158
Actual Budgeted Revenues & Transfers-In	27,636,019	972,321	0	24,581,650	3,731,223	116,149,920	0	173,071,133
Estimated Revenues & Transfers-In	36,976,486	3,771,643	0	79,180,316	4,528,153	151,261,236	0	275,717,834
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ (9,340,467)	\$ (2,799,322)	\$ 0	\$ (54,598,666)	\$ (796,930)	\$ (35,111,316)	\$ 0	\$ (102,646,701)
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS								
Licenses and Permits	\$ (3,000)							\$ (3,000)
Taxes								0
Charges for Services	(524,084)	\$ (1,700)		\$ (268,542)	\$ (794,646)	\$ (35,035,042)		(36,624,014)
Investment Earnings	(7,278,282)	(137,624)		(194,374)	(2,284)	(1,888,151)		(9,500,715)
Fines and Forfeits	(135,550)							(135,550)
Sale of Documents, Merchandise and Property						141,107		141,107
Rentals, Leases and Royalties	(2,158)							(2,158)
Miscellaneous	(14)	(759,417)				2,430,190		1,670,759
Grants, Contracts, Donations and Abandonments		(429,099)						(429,099)
Other Financing Sources	(1,345,138)	(1,043,160)		(54,135,750)		(759,420)		(57,283,468)
Federal	(52,241)	(428,322)	\$				\$	(480,563)
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ (9,340,467)	\$ (2,799,322)	\$ 0	\$ (54,598,666)	\$ (796,930)	\$ (35,111,316)	\$ 0	\$ (102,646,701)

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

	PROGRAM (SUB-CLASS) NOT SPECIFIED SEE NOTE 3	ACCO MGMT	STATE TAX APPEAL BCARD	UNIVERSITY SYSTEM	Total
PROGRAM EXPENDITURES & TRANSFERS-OUT BY OBJECT					
PERSONAL SERVICES					
Salaries		\$	149,051		\$ 13,495,071
Other Compensation			4,725		5,384
Employee Benefits			35,722		3,294,275
Personal Services-Other					59,262
Total			189,498		16,853,992
Operating Expenses					
Other Services			33,913		11,460,795
Supplies & Materials			2,243		1,876,469
Communications			4,208		9,494,876
Travel			13,165		381,982
Rent			13,723		5,576,593
Utilities					1,716,585
Repair & Maintenance			1,333		2,427,622
Other Expenses	\$ 1,261,156		12,843		(3,485,534)
Goods Purchased for Resale					8,546,740
Total	1,261,156		81,428		37,996,128
Equipment & Intangible Assets					
Equipment	253,003				740,101
Intangible Assets					57,950
Total	253,003				798,051
CAPITAL OUTLAY					
Land & Interest in Land				\$ 10,225,006	360,000
Buildings	11,500				25,635,207
Other Improvements					(14,400)
Total	11,500			10,225,006	25,980,807
LOCAL ASSISTANCE			1,318		1,511,967
From State Sources					248,808
From Federal Sources					5,123,471
From Other Income Sources					
Total			1,318		6,884,246
GRANTS					17,000
From State Sources					17,000
Total					
BENEFITS & CLAIMS					66,885,283
From State Sources					3,272,601
Insurance Payments					70,157,884
Total					
TRANSFERS					
Accounting Entry Transfers	30,290			95,000	32,832,121
Total	30,290			95,000	32,832,121
Debt Service					23,170,948
Bonds					1,295,841
Leases					35,347
Installment Purchases					24,502,136
Total					
Total Program Expenditures & Transfers-Out	\$ 1,555,949	\$	272,244	\$ 10,320,006	\$ 216,022,365
PROGRAM EXPENDITURES & TRANSFERS-OUT BY FUND					
General Fund		\$	272,244		\$ 27,791,469
Special Revenue Fund	\$ 11,500				15,096,728
Debt Service Fund				\$ 8,616,736	23,167,728
Capital Projects Fund					27,787,833
Enterprise Fund	18,776				4,174,709
Internal Service Fund	1,525,673				115,841,248
Expendable Trust Fund				1,567,183	459,380
Unexpended Plant Fund				136,087	1,567,183
Renewal & Replacement Fund					136,087
Total Program Expenditures & Transfers-Out	1,555,949		272,244	10,320,006	216,022,365
Less Nonbudgeted Expenditures & Transfers-Out	1,526,253		9,378		32,004,972
Prior Year Expenditures & Transfers-Out Adjustments	29,696		262,866		(6,403,123)
Actual Budgeted Expenditures & Transfers-Out			262,866	10,320,006	190,420,516
Budget Authority			406,249	122,062,178	450,512,235
Unspent Budget Authority	\$ 0	\$	143,383	\$ 111,742,172	\$ 260,091,719
UNSPENT BUDGET AUTHORITY BY FUND					
General Fund		\$	143,383		\$ 2,703,628
Special Revenue Fund				\$ 33,744	58,736,439
Capital Projects Fund				32,093,341	109,970,454
Enterprise Fund					317,067
Internal Service Fund					8,729,845
Unexpended Plant Fund				78,935,137	78,935,137
Renewal & Replacement Fund				679,950	699,149
Unspent Budget Authority	\$ 0	\$	143,383	\$ 111,742,172	\$ 260,091,719

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SA

DEPARTMENT OF ADMINISTRATION
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	PROGRAM (SUB-CLASS) NOT SPECIFIED SEE NOTE 3	ACCOUNTING & MGMT SUPPORT	APPELLATE DEFENDER	ARCH & ENGINEERING	CORRECTIONS	DEPARTMENTS & AGENCIES	GENERAL SERVICES PROGRAM	GOVERNOR ELECT PROGRAM	INFORMATION SERVICES DIVISION	MAIL & DISTRIBUTION BUREAU	PROCUREMENT & PRINTING DIV	PUBLIC HEALTH	RISK MANAGEMENT & TORT DEFENSE	STATE PERSONNEL DIVISION	STATE TAX APPEAL BOARD	UNIVERSITY SYSTEM	Total
PROGRAM EXPENDITURES & TRANSFERS-OUT BY OBJECT																	
PERSONAL SERVICES																	
Salaries		\$ 1,061,808	\$ 124,206	\$ 627,607			\$ 731,286	\$ 18,127	\$ 7,278,075	\$ 358,795	\$ 1,365,545		\$ 464,270	\$ 1,316,101	\$ 149,051		\$ 13,495,071
Other Compensation		659													4,725		5,384
Employee Benefits		266,043	30,390	146,667			192,868	1,523	1,672,067	95,487	397,319		116,311	339,878	35,722		3,294,275
Personal Services-Other		1,893					8,788		888	539	17,953		19,122	10,079			59,262
Total		1,330,403	154,596	774,474			932,942	19,650	8,951,030	454,821	1,780,817		599,703	1,666,058	189,496		16,853,992
Operating Expenses																	
Other Services		507,711	11,676	106,094			2,088,245	19,460	3,166,153	49,779	242,956		3,218,080	2,016,728	33,913		11,460,795
Supplies & Materials		36,136	2,590	9,805			139,863	2,845	1,429,708	42,761	111,213		37,017	62,260	2,243		1,876,469
Communications		438,692	7,917	21,111			14,664	2,118	6,319,647	2,506,321	77,140		19,735	83,303	4,208		9,944,676
Travel		31,371	7,501	35,641			1,398	3,849	195,138	3,357	33,799		25,005	31,756			281,982
Rent		52,795	9,557	33,810			399,623	360	4,676,130	56,400	194,669		49,232	99,894	13,723		5,576,593
Utilities							1,689,190				22,572		4,823				1,716,585
Repair & Maintenance		4,638		2,698			742,468		1,341,371	71,218	169,643		89,403	4,850	1,333		2,427,622
Other Expenses	\$ 1,261,156	1,397,027	5,978	36,969			59,217	350	(6,872,960)	15,581	267,342		31,128	299,835	12,643		(3,465,534)
Goods Purchased for Resale											8,546,740						8,546,740
Total	1,261,156	2,468,370	45,227	246,128			5,124,688	28,982	10,255,187	2,745,417	9,666,274		3,474,423	2,598,648	81,428		37,996,128
Equipment & Intangible Assets																	
Equipment	253,003	1,952		5,751					565,632	15,074	(101,311)						740,101
Intangible Assets		57,950															57,950
Total	253,003	58,902		5,751					565,632	15,074	(101,311)						798,051
CAPITAL OUTLAY																	
Land & Interest in Land						\$ 360,000											360,000
Buildings	11,500				\$ 813,843	10,001,105	34,500					\$ 4,549,253				\$ 10,225,006	25,635,207
Other Improvements											(14,400)						(14,400)
Total	11,500				813,843	10,361,105	34,500				(14,400)	4,549,253				10,225,006	25,960,807
LOCAL ASSISTANCE																	
From State Sources		1,510,649														1,318	1,511,967
From Federal Sources		248,808															248,808
From Other Income Sources									5,123,471								5,123,471
Total		1,759,457							5,123,471						1,318		6,884,246
GRANTS																	
From State Sources		17,000															17,000
Total		17,000															17,000
BENEFITS & CLAIMS																	
From State Sources														66,885,283			66,885,283
Insurance Payments													3,171,307	101,294			3,272,601
Total													3,171,307	66,986,577			70,157,884
TRANSFERS																	
Accounting Entry Transfers	30,290	21,706,047	1,048,994	295,711	6,423,601							2,911,526		320,952		95,000	32,832,121
Total	30,290	21,706,047	1,048,994	295,711	6,423,601							2,911,526		320,952		95,000	32,832,121
Debt Service																	
Bonds		23,079,061				91,887											23,170,948
Leases									1,295,841								1,295,841
Installment Purchases							29,379			2,423	3,545						35,347
Total		23,079,061				91,887	29,379		1,295,841	2,423	3,545						24,502,136
Total Program Expenditures & Transfers-Out	\$ 1,555,949	\$ 50,420,240	\$ 199,823	\$ 2,075,347	\$ 1,109,554	\$ 16,876,593	\$ 6,121,709	\$ 48,632	\$ 26,191,161	\$ 3,217,735	\$ 11,334,925	\$ 7,460,779	\$ 7,566,385	\$ 71,251,283	\$ 272,244	\$ 10,320,006	\$ 216,022,365
PROGRAM EXPENDITURES & TRANSFERS-OUT BY FUND																	
General Fund		\$ 24,723,246			\$ 9,600	\$ 91,887	\$ 353,329	\$ 48,632	\$ 672,425		\$ 494,539	\$ 45,585		\$ 1,079,982	\$ 272,244		\$ 27,791,469
Special Revenue Fund	\$ 11,500	366,985	\$ 199,823	\$ 1,026,353	\$ 427,596	\$ 4,338,220	35,775		5,873,471			2,766,367	\$ 19,543	31,095			15,096,728
Debt Service Fund		23,167,728															23,167,728
Capital Projects Fund		694,037		1,048,994	672,358	12,106,454						4,649,254				\$ 8,616,736	27,787,833
Enterprise Fund	18,776												(427)				4,174,709
Internal Service Fund	1,525,673	1,008,864				340,032	5,732,605	19,645,265	\$ 3,217,735		424,274		7,546,842				115,841,248
Expendable Trust Fund		459,380									10,416,112			66,408,120			459,380
Unexpended Plant Fund																1,567,183	1,567,183
Renewal & Replacement Fund																136,087	136,087
Total Program Expenditures & Transfers-Out	1,555,949	50,420,240	199,823	2,075,347	1,109,554	16,876,593	6,121,709	48,632	26,191,161	3,217,735	11,334,925	7,460,779	7,566,385	71,251,283	272,244	10,320,006	216,022,365
Less Nonbudgeted Expenditures & Transfers-Out		26,848,192			1,048,995		45,234		(603,543)	(81,953)	(56,521)		207,991	113,701			32,004,972
Prior Year Expenditures & Transfers-Out Adjustments	1,526,253	1,419,443	(142)	(492)		2,956,623	17,503		(7,928,407)	(440)	32,019	(5,050)		23,367	9,378		(6,403,123)
Actual Budgeted Expenditures & Transfers-Out		22,152,605	199,965	1,026,844	1,109,554	13,919,970	6,058,970	48,632	34,723,111	3,300,128	11,359,427	7,460,779	7,363,444	71,114,215	262,866	10,320,006	190,420,516
Budget Authority		24,640,916	201,046	1,061,965	4,727,486	112,140,692	6,187,885	50,000	39,801,941	3,476,764	12,886,410	41,294,378	9,776,271	71,798,054	406,249	122,062,178	450,512,235
Unspent Budget Authority	\$ 0	\$ 2,498,311	\$ 1,081	\$ 35,121	\$ 3,617,932	\$ 98,220,722	\$ 128,915	\$ 1,368	\$ 5,078,830	\$ 176,636	\$ 1,526,983	\$ 33,833,599	\$ 2,412,827	\$ 683,839	\$ 143,383	\$ 111,742,172	\$ 260,091,719
UNSPENT BUDGET AUTHORITY BY FUND																	
General Fund		\$ 2,333,024	\$ 669			\$ 38,688	\$ 3,021	\$ 1,368	\$ 18,489		\$ 20,463	\$ 29,154		\$ 115,171	\$ 143,383		\$ 2,703,628
Special Revenue Fund		32,165	212	\$ 35,121	\$ 1,823,123	\$ 45,274,703			139,243				\$ 783,313	33		\$ 33,744	\$ 8,736,439
Capital Projects Fund		8,120			1,794,809	52,888,134									32,093,341	109,970,454	317,967
Enterprise Fund											83,796		3,613				8,729,845
Internal Service Fund		115,002					125,894	4,921,098	176,636	1,412,724		1,629,514		219,658		78,935,137	78,935,137
Unexpended Plant Fund																679,950	679,950
Renewal & Replacement Fund																	
Unspent Budget Authority	\$ 0	\$ 2,498,311	\$ 1,081	\$ 35,121	\$ 3,617,932	\$ 98,220,722	\$ 128,915	\$ 1,368	\$ 5,078,830	\$ 176,636	\$ 1,526,983	\$ 33,833,599	\$ 2,412,827	\$ 683,839	\$ 143,383	\$ 111,742,172	\$ 260,091,719

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

	PROGRAM (SUB-CLASS RISK NOT SPECIFICATION & (SEE NOTE) DEFENSE	STATE PERSONNEL DIVISION	STATE TAX APPEAL BOARD	UNIVERSITY SYSTEM	Total
PROGRAM EXPENDITURES & TRANSFERS-OUT BY OBJECT					
PERSONAL SERVICES					
Salaries	437,826	\$ 1,281,909	\$ 151,339		\$ 12,863,500
Other Compensation			7,403		7,403
Employee Benefits	107,087	323,347	36,397		3,153,414
Personal Services-Other	\$ 351				351,256
Total	<u>351</u>	<u>1,605,256</u>	<u>195,139</u>		<u>16,375,573</u>
Operating Expenses					
Other Services	52, 3,336,715	1,620,821	51,456		11,362,171
Supplies & Materials	20,777	71,993	17,364		2,177,471
Communications	19,385	78,668	4,969		10,532,076
Travel	21,068	29,774	5,873		335,833
Rent	26,037	71,461	12,305		5,978,869
Utilities					1,444,365
Repair & Maintenance		1,018	1,341		1,830,043
Other Expenses	2,245, 22,967	278,667	8,865		13,120,389
Goods Purchased for Resale					8,058,655
Total	<u>2,298, 3,447,967</u>	<u>2,158,096</u>	<u>102,173</u>		<u>54,839,872</u>
Equipment & Intangible Assets					
Equipment	(16,)				(994,281)
Intangible Assets					56,909
Total	<u>(16,)</u>				<u>(937,372)</u>
CAPITAL OUTLAY					
Land & Interest in Land				1,333	
Buildings				\$ 16,789,161	49,470,780
Total				<u>16,789,161</u>	<u>49,472,113</u>
LOCAL ASSISTANCE					
From State Sources			2,233		899,124
From Federal Sources					246,822
From Other Income Sources					3,521,833
Total			<u>2,233</u>		<u>4,667,779</u>
BENEFITS & CLAIMS					
From State Sources		63,897,614			63,897,614
Insurance Payments	11,575, 7,440,302	176,671			19,192,353
Total	<u>11,575, 7,440,302</u>	<u>64,074,285</u>			<u>83,089,967</u>
TRANSFERS					
Accounting Entity Transfers	4,200, 20,848				20,874,095
Total	<u>4,200, 20,848</u>				<u>20,874,095</u>
Debt Service					
Bonds	18,533,)				18,563,106
Leases	(2,109,)				189,106
Installment Purchases					83,391
Total	<u>16,423,)</u>				<u>18,835,603</u>
Total Program Expenditures & Transfers-Out	\$ 34,832, 11,454,030	\$ 67,837,637	\$ 299,545	\$ 16,789,161	\$ 247,217,630
PROGRAM EXPENDITURES & TRANSFERS-OUT BY FUND					
General Fund		\$ 1,121,157	\$ 299,545		\$ 17,450,073
Special Revenue Fund	\$ 7, 11,759	8,400		\$ 174,511	12,396,039
Debt Service Fund	18,584,)				18,771,966
Capital Projects Fund	3,893,)			9,685,276	45,157,659
Enterprise Fund	9,)	3,246,104			3,761,968
Internal Service Fund	12,337, 11,442,271	63,461,976			142,448,720
Expendable Trust Fund					301,831
Unexpended Plant Fund				6,530,392	6,530,392
Renewal & Replacement Fund				398,982	398,982
Total Program Expenditures & Transfers-Out	<u>34,832, 11,454,030</u>	<u>67,837,637</u>	<u>299,545</u>	<u>16,789,161</u>	<u>247,217,630</u>
Less: Nonbudgeted Expenditures & Transfers-Out	31,557,)	178,719			39,298,335
Prior Year Expenditures & Transfers-Out Adjustments	3,275, 51,261	364,423	(1,434)		3,221,001
Actual Budgeted Expenditures & Transfers-Out	<u>(11,402,769</u>	<u>67,294,495</u>	<u>300,979</u>	<u>16,789,161</u>	<u>204,698,294</u>
Budget Authority	13,180,988	68,478,364	409,381	83,620,498	429,412,533
Unspent Budget Authority	\$ <u>1,778,219</u>	\$ <u>1,183,869</u>	\$ <u>108,402</u>	\$ <u>66,831,337</u>	\$ <u>224,714,239</u>
UNSPENT BUDGET AUTHORITY BY FUND					
General Fund		\$ 64,156	\$ 108,402		\$ 7,331,800
Special Revenue Fund	791,097	404		\$ 33,744	62,241,882
Capital Projects Fund				20,654,537	101,751,730
Enterprise Fund		382,764			443,241
Internal Service Fund	\$ 987,122	736,545			6,783,331
Unexpended Plant Fund				45,551,993	45,551,993
Renewal & Replacement Fund				591,063	610,262
Unspent Budget Authority	\$ <u>1,778,219</u>	\$ <u>1,183,869</u>	\$ <u>108,402</u>	\$ <u>66,831,337</u>	\$ <u>224,714,239</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources

DEPARTMENT OF ADMINISTRATION
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

PROGRAM EXPENDITURES & TRANSFERS-OUT BY OBJECT	PROGRAM (SUB-CLASS) NOT SPECIFIED (SEE NOTE 3)	ACCOUNTING & MGMT SUPPORT	APPELLATE DEFENDER	ARCH & ENGINEERING	CORRECTIONS	DEPARTMENTS & AGENCIES	GENERAL SERVICES PROGRAM	INFORMATION SERVICES DIVISION	MAIL & DISTRIBUTION BUREAU	N8	PROCUREMENT & PRINTING DIV	PUBLIC HEALTH	RISK MANAGEMENT & TORT DEFENSE	STATE PERSONNEL DIVISION	STATE TAX APPEAL BOARD	UNIVERSITY SYSTEM	Total
PERSONAL SERVICES																	
Salaries		\$ 965,013	\$ 109,144	\$ 623,204			\$ 631,626	\$ 6,990,036	\$ 302,148		\$ 1,371,255		\$ 437,826	\$ 1,261,909	\$ 151,339		\$ 12,863,500
Other Compensation																	7,403
Employee Benefits		237,851	26,370	143,315			168,680	1,621,477	96,950		391,940		107,087	323,347	36,397		3,153,414
Personal Services-Other	\$	351,256															351,256
Total		1,202,664	135,514	766,519			600,306	6,611,513	399,098		1,763,195		544,913	1,605,256	195,139		16,375,573
Operating Expenses																	
Other Services	52,356	1,256,591	11,028	116,453			1,681,555	2,980,784	36,299	\$ 20,000	198,113		3,336,715	1,620,821	51,456		11,362,171
Supplies & Materials	(298)	25,799	3,511	30,807			84,297	1,818,729	33,862		70,630		20,777	71,993	17,364		2,177,471
Communications	168	433,669	6,719	24,200			18,204	7,120,204	2,747,997		77,873		19,365	78,668	4,969		10,532,076
Travel	460	23,911	3,796	51,054			6,885	163,572	2,242		27,198		21,068	29,774	5,873		335,833
Rent		50,599	9,247	32,434			566,583	4,971,150	48,609		190,444		26,037	71,461	12,305		5,978,869
Utilities							1,424,847				19,518						1,444,365
Repair & Maintenance		5,464		3,177			865,995	715,598	76,491		154,247		1,018	6,712	1,341		1,830,043
Other Expenses	2,245,687	1,058,712	6,780	33,417			72,894	9,315,737	10,236	4,632	61,795		22,967	278,667	8,865		13,120,389
Goods Purchased for Resale											8,058,655						8,058,655
Total		2,298,373	2,854,765	41,081	291,542		4,721,260	27,085,774	2,955,736	24,632	8,858,473		3,447,967	2,158,096	102,173		54,839,872
Equipment & Intangible Assets																	
Equipment	(16,448)	20,000					(27,696)	(906,742)			(63,395)						(994,281)
Intangible Assets		56,909															56,909
Total	(16,448)	76,909					(27,696)	(906,742)			(63,395)						(937,372)
CAPITAL OUTLAY																	
Land & Interest in Land								1,333									1,333
Buildings					\$ 3,887,639	\$ 22,887,706						\$ 5,906,274				\$ 16,789,161	49,470,760
Total					3,887,639	22,887,706	1,333					5,906,274				16,789,161	49,472,113
LOCAL ASSISTANCE																	
From State Sources		884,391						12,500							2,233		899,124
From Federal Sources		246,822															246,822
From Other Income Sources								3,521,833									3,521,833
Total		1,131,213						3,534,333							2,233		4,667,779
BENEFITS & CLAIMS																	
From State Sources														63,897,614			63,897,614
Insurance Payments	11,575,380												7,440,302	176,671			19,192,353
Total	11,575,380												7,440,302	64,074,285			83,089,967
TRANSFERS																	
Accounting Entry Transfers	4,200,491	11,576,614			113,617	3,888,668		44,430		468,696		560,731	20,848				20,874,095
Total	4,200,491	11,576,614			113,617	3,888,668		44,430		468,696		560,731	20,848				20,874,095
Debt Service																	
Bonds	18,533,561					28,875				670							18,563,106
Leases	(2,109,762)							2,298,868									189,106
Installment Purchases							32,050		35,768		15,573						83,391
Total	16,423,799					28,875	32,050	2,298,868	35,768	670	15,573						18,835,603
Total Program Expenditures & Transfers-Out	\$ 34,832,851	\$ 16,842,365	\$ 176,595	\$ 1,058,061	\$ 4,001,256	\$ 26,805,249	\$ 5,527,253	\$ 40,668,176	\$ 3,390,602	\$ 493,998	\$ 10,573,846	\$ 6,467,005	\$ 11,454,030	\$ 67,837,637	\$ 299,545	\$ 16,789,161	\$ 247,217,630
PROGRAM EXPENDITURES & TRANSFERS-OUT BY FUND																	
General Fund		\$ 14,103,053	\$ 5,702			\$ 24,020	\$ 341,410	\$ 650,583			\$ 508,526	\$ 396,077		\$ 1,121,157	\$ 299,545		\$ 17,450,073
Special Revenue Fund	\$ 7,885	256,165	170,893	\$ 1,058,061	\$ 261,373	6,049,049	1,130	4,271,833		\$ 4,632	508,526	396,077		1,121,157	299,545	\$ 174,511	12,396,039
Debt Service Fund	18,564,431									187,535		120,348		8,400			18,771,966
Capital Projects Fund	3,893,281	1,469,913			3,739,883	20,404,132	58,900				5,906,274				9,685,276		45,157,659
Enterprise Fund	9,649										465,594	40,621		3,246,104			3,761,968
Internal Service Fund	12,337,605	1,013,234				328,048	5,125,813	35,745,760	\$ 3,390,602		9,599,726	3,685	11,442,271	63,461,976			142,448,720
Expendable Trust Fund																	301,831
Unexpended Plant Fund										301,831							6,530,392
Renewal & Replacement Fund																	398,982
Total Program Expenditures & Transfers-Out	34,832,851	16,842,365	176,595	1,058,061	4,001,256	26,805,249	5,527,253	40,668,176	3,390,602	493,998	10,573,846	6,467,005	11,454,030	67,837,637	299,545	16,789,161	247,217,630
Less: Nonbudgeted Expenditures & Transfers-Out	31,557,579	(9,606)				(23,624)		7,334,246	(41,437)	493,998	(191,540)			178,719			39,298,335
Prior Year Expenditures & Transfers-Out Adjustments	3,275,704	(4,342)	98	923		(37,776)		(403,495)	(23,233)		(1,129)		51,261	364,423	(1,434)		3,221,001
Actual Budgeted Expenditures & Transfers-Out	(432)	16,856,313	176,497	1,057,138	4,001,256	26,805,249	5,588,653	33,737,425	3,455,272		10,766,514	6,467,005	11,402,769	67,294,495	300,979	16,789,161	204,698,294
Budget Authority		24,204,672	195,731	1,076,462	7,858,072	113,888,072	5,603,488	38,032,481	3,465,295		12,015,647	57,383,382	13,180,988	68,478,364	409,381	83,620,498	429,412,533
Unspent Budget Authority	\$ 432	\$ 7,348,359	\$ 19,234	\$ 19,324	\$ 3,856,816	\$ 87,082,823	\$ 14,835	\$ 4,295,056	\$ 10,023	\$ 0	\$ 1,249,133	\$ 50,916,377	\$ 1,778,219	\$ 1,183,869	\$ 108,402	\$ 66,831,337	\$ 224,714,239
UNSPENT BUDGET AUTHORITY BY FUND																	
General Fund		\$ 7,012,955	\$ 869			\$ 55,573	\$ 351	\$ 14,384			\$ 372	\$ 74,738		\$ 64,156	\$ 108,402		\$ 7,331,800
Special Revenue Fund		38,982	18,365	\$ 19,324	\$ 1,907,044	\$ 38,448,664		817,109				20,167,149	\$ 791,097	404		\$ 33,744	62,241,882
Capital Projects Fund		254,916			1,949,772	48,221,203						30,671,302				20,654,537	101,751,730
Enterprise Fund												3,188		382,764			443,241
Internal Service Fund	\$ 432	41,506				338,184	14,484	3,463,563	\$ 10,023		57,289		987,122	736,545			6,783,331
Unexpended Plant Fund											1,191,472						45,551,993
Renewal & Replacement Fund																	591,063
Unspent Budget Authority	\$ 432	\$ 7,348,359	\$ 19,234	\$ 19,324	\$ 3,856,816	\$ 87,082,823	\$ 14,835	\$ 4,295,056	\$ 10,023	\$ 0	\$ 1,249,133	\$ 50,916,377	\$ 1,778,219	\$ 1,183,869	\$ 108,402	\$ 66,831,337	\$ 224,714,239

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

Department of Administration

Notes to the Financial Schedules for the Two Fiscal Years Ended June 30, 2001

1. **Summary of Significant Accounting Policies**

Reporting Entity

The Department of Administration provides state agencies with the following services: 1) accounting system operation and financial reporting; 2) capitol complex building maintenance and security; 3) state bonded debt administration; 4) state treasury; 5) tort claims and insurance coverage; 6) telecommunications, information technology and data processing; 7) human resources, labor relations and group benefit; 8) purchasing, printing and surplus property; and 9) state long-range building.

The activity of three agencies administratively attached to the department, Montana State Fund, Public Employees' Retirement Administration, and Teachers' Retirement System, is not included in the Department of Administration financial schedules. These entities present separate annual financial statements which are audited by the Legislative Audit Division.

Basis of Accounting

The department uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental, Agency, and Expendable Trust Funds. In applying the modified accrual basis, the department records:

Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.

Expenditures for valid obligations when the department incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the department to record the cost of employees' annual leave and sick leave when used or paid.

The department uses accrual basis accounting for its Proprietary, Nonexpendable Trust, and the Plant Funds. Under the accrual basis, as defined by state accounting policy, the department records

Notes to the Financial Schedules

revenues in the accounting period earned, when measurable, and records expenses in the period incurred, when measurable.

Expenditures and expenses may include: entire budgeted service contracts even though the department receives the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

Basis of Presentation

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the state's accounting system without adjustment. Consequently, these schedules do not agree in all cases to final state accounting system summary reports. These differences are explained in Note 3.

Accounts are organized in funds according to state law. The department uses the following funds.

Governmental Funds

General Fund - to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - to account for proceeds of specific revenue sources legally restricted to expenditures for specific purposes.

Department Special Revenue Funds include the 911 telecommunications program and federal assistance programs, such as federal surplus property and Taylor Grazing.

Debt Service Fund - to account for accumulated resources for the payment of General Long-term Debt Principal and Interest. The department uses this fund for the long-range building program and information technology bond debt service.

Capital Projects Fund - to account for resources used for purchase or construction of major capital facilities. The department uses this fund to account for activity in the long-range building program.

Proprietary Funds

Enterprise Fund - to account for operations (a) financed and operated in a manner similar to private business enterprises, where

the Legislature intends that the department finance or recover costs primarily through user charges; or (b) where the Legislature has decided that periodic determination of revenues earned, expenses incurred or net income is appropriate. Department Enterprise Funds include flexible spending funds, and surplus property.

Internal Service Funds - to account for providing goods or services to other agencies or departments on a cost-reimbursement basis. Department Internal Service Funds include State Personnel, Information Services, Procurement & Printing, General Services, and Mail & Distribution funds.

Fiduciary Funds

Trust and Agency Funds - to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. Department Agency funds include central payroll, bad debt collections, and the general warrant clearing account. The Nonexpendable Trust Fund includes a fund balance for School Bond Contingency Loans.

Plant Funds

Plant Funds - to account for transactions related to construction of university system properties. Because the Architecture and Engineering Division expends funds for university construction projects, the department records activity in the following sub-funds:

Unexpended Plant Funds - comprised of amounts which have been appropriated or designated for construction or purchase of university improvements, buildings, and equipment.

Renewal and Replacement Funds - provides resources for the remodeling or replacement of university properties.

2. General Fund Balance

The department has authority to pay obligations from the statewide General Fund within its appropriation limits. The department's total assets placed in the fund exceed outstanding liabilities, resulting in positive ending General Fund balances for each of the two fiscal years ended June 30, 2000 and June 30, 2001. These balances reflect activity at the department and not the fund balance of the statewide General Fund.

Notes to the Financial Schedules

3. Expenditure Program (Sub-Class)

As part of the implementation of a new accounting system in fiscal year 1999-00, state officials determined that a sub-class designation would identify the program to which an expenditure should be charged. State officials did not require non-budgeted expenditure transactions to be identified to a sub-class. The program designations in the Schedule of Total Expenditures & Transfers-Out are based on the sub-class designation used when the expenditures were recorded. The accounting system did not require agencies to code non-budgeted accounts with a sub-class code identifying the expenditure program in which the activity occurred. This non-budgeted activity is included in the column titled Program (Sub-Class) Not Specified on the Schedule of Total Expenditures & Transfers-Out for both fiscal years.

4. Self-Insurance

The department administers the following two self-insurance plans. Financial activity of both plans is recorded in the Internal Service Fund.

Group Employee Comprehensive Medical and Dental Plan - This plan is fully self-insured, with the state assuming all the risk for claims incurred by state employees, elected officials, retirees, and their dependents. There is no third-party coverage. Premiums are collected through payroll deductions, deductions through the Public Employees' Retirement Board, and self-payment. At June 30, 2001, estimates for claims liabilities were \$7,181,390.

Property & Casualty Insurance Plan - The property and casualty plan covers general liability, automobile liability, automobile physical damage, inland marine, boilers & machinery, fine arts, foster care, and state-administered foreclosure housing units. The state pays the first \$150,000 per occurrence for all state buildings and contents (i.e., equipment, inventory, and other property), \$100,000 per occurrence for boilers & machinery losses, and \$50,000 per occurrence for fine arts losses. The plan purchases reinsurance for amounts above these limits.

For the property, casualty coverages noted above, state agencies pay the first \$1,000 of each loss. Commercial property insurance

protects approximately \$1.8 billion of state-owned buildings and contents. The state property insurance policy includes earthquake and flood protection to \$400 million annually with deductibles of \$1 million for earthquake and \$500,000 for flood per occurrence. Premiums are collected from all state agencies.

An actuarial study, prepared by Tillinghast-Towers Perrin, covering the accident period July 1, 1991 through June 30, 2001, is the basis for estimating the liability for unpaid claims. The June 30, 2001 estimated claims liability of \$25,233,529 (discounted at five percent) includes claims incurred but not reported.

5. Direct Entries to Fund Balance

Direct entries to fund balance in the various fund types include entries generated by SABHRS to reflect the flow of resources within individual funds shared by separate agencies.

6. Accounting for Expenditures

The department records equipment expenditures in its Internal Service Fund operations. When the department purchases equipment, it records expenditures in the year of the purchase. The department then reduces expenditures when the equipment is received to capitalize the assets according to state accounting policy for proprietary funds. When these equipment expenditures are not capitalized in the year of purchase, negative equipment expenditures may result.

Department Responses

DEPARTMENT OF ADMINISTRATION NOV 26 2001
DIRECTOR'S OFFICE



JUDY MARTZ, GOVERNOR

MITCHELL BUILDING

STATE OF MONTANA

(406) 444-2032
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PO BOX 200101
HELENA, MONTANA 59620-0101

November 26, 2001

Scott Seacat
Legislative Auditor
Legislative Audit Division
State Capitol
Helena, MT 59620

Dear Mr. Seacat:

We have reviewed the recommendations pertaining to the Financial-Compliance Audit for the two fiscal years ended June 30, 2001. Our responses are as follows:

RECOMMENDATION #1: WE RECOMMEND THE DEPARTMENT IMPLEMENT PROCEDURES TO PROMPTLY RECONCILE CASH BALANCES ON THE ACCOUNTING RECORDS TO THE BANK RECORDS AS REQUIRED BY STATE LAW.

Response:

We concur. The implementation of the state's new financial reporting system on July 1, 1999, created a steep learning curve for agencies in reporting transactions. The process for inputting deposits changed substantially from the previous system, and agencies fell behind in recording SABHRS documents for all cash receipts. The Treasury Unit also experienced a learning curve on how to pull the appropriate SABHRS information to develop an efficient method for bank reconciliation. Treasury Unit staff worked many hours with SABHRS staff to develop queries and processes to accurately reconcile cash.

However, reconciliation was time-consuming because of the number of errors agencies made in recording deposits to the system and because they weren't recording their cash deposits timely. Treasury Unit staff fell behind many months working on the reconciliation of FY2000 even though many Department employees were pulled from their regular duties to assist. The data for FY2001 is much easier to reconcile, but the reconciliation was only started in April 2001. In addition, a further review of FY2000 during FY2001 indicated errors in the reconciliation by temporary employees hired to help the Treasury Unit catch up.

The Department is currently working with SABHRS staff and US Bank to create an automated process for reconciliation of the approximately 40 to 50 wires per day

received by the State. This process will require Treasury Unit staff to research only the wires that don't have SABHRS documents input to the system. We hope to have this process in place in January 2002. We will also issue cash policy in December that includes a requirement to input a SABHRS document for every deposit made within five days.

RECOMMENDATION #2: WE RECOMMEND THE DEPARTMENT ONLY APPROVE INTER-ENTITY LOANS THAT COMPLY WITH THE REQUIREMENTS OF STATE LAW.

Response:

We concur. State law requires that each individual accounting entity be positive at fiscal year end. Blanket loans were given to DPHHS at fiscal year end in an effort to reduce the amount of paperwork involved with the issuance of individual loans to the many federal accounting entities that each represents cost reimbursement grants. The Department will discontinue the practice of issuing blanket loans and will work with DPHHS to clean up the remaining blanket loans.

The 1999 Legislature revised 17-2-107(8) to require that long-term loans be made from funds other than the General Fund, if possible, because long-term loans are recorded as a reservation of fund balance and reduce the amount of fund balance available for appropriation by the Legislature. Statute was also changed to allow state agencies to be negative 7 days by fund type (i.e. total federal funds or state special revenue funds) instead of by individual fund (by each cost reimbursement grant) during the fiscal year to reduce the need for long-term loans. To comply with this change in statute, the Department asked agencies to move existing long-term loans from the general fund to other available funds within their agencies, if possible. Some of these loans became short-term when they were moved to other funds to determine whether a long-term loan was really necessary to keep the fund positive. The Department will work with agencies to determine the need for long-term loans and if these loans must come from the General Fund.

RECOMMENDATION #3: WE RECOMMEND THE DEPARTMENT ESTABLISH CONTROL PROCEDURES TO ENSURE COMPLIANCE WITH THE CMIA AGREEMENT.

Response:

We concur. Accounting Bureau staff currently meets with state agencies that report through CMIA to confirm draw down methods for cash and review issues on a yearly basis. The draw down methods and timing for cash draws are currently included in a

written Treasury State Agreement with the U.S. Department of Treasury. However, we do agree that written procedures for the spreadsheet that agencies fill out for calculation of interest owed to and from the federal government would aid agencies in their understanding of the process. We are also in the process of hiring the FTE approved by the 2001 Legislature to work with agencies to correctly track and provide this information.

RECOMMENDATION #4: WE RECOMMEND THE DEPARTMENT PROPERLY RECONCILE AND CORRECT ERRORS IN THE ACCOUNTABILITY FOR ADVANCES ACCOUNT AS REQUIRED BY LAW.

Response:

We concur. The Department expects to have this account fully reconciled by June 1, 2002.

RECOMMENDATION #5: WE RECOMMEND THE DEPARTMENT ENSURE INTERNAL SERVICE FUND RATES ARE COMMENSURATE WITH COSTS AS REQUIRED BY LAW.

Response:

We concur. Internal Service Fund rates are developed one year prior to the biennium in which these rates are applied. Assumptions used to develop the rates may change considerably from the time the rates are developed to the time the rates are charged to state agencies because unanticipated costs that occur during a fiscal year can dramatically affect fund balance. We will continue to make every effort to ensure Internal Service Fund rates are commensurate with costs as required by law.

RECOMMENDATION #6: WE RECOMMEND THE DEPARTMENT INCLUDE ALL COSTS WHEN SETTING RATES FOR THE ENERGY PROCUREMENT AND FUELING PROGRAM CONSISTENT WITH STATE LAW.

Response:

We concur. We will record all the costs of the program in the Internal Service Fund as required by state law and record a transfer from the General Fund for the salary of the person administering the program.

RECOMMENDATION #7:

- A. WE RECOMMEND THE UNIVERSITY SYSTEM ENSURE THE BANNER ACCOUNTING SYSTEM IS ACCESSIBLE TO AND MEETS THE INFORMATION NEEDS OF USERS OF THE UNIVERSITY FINANCIAL INFORMATION.
- B. WE RECOMMEND THE DEPARTMENT WORK WITH THE UNIVERSITY SYSTEM TO ELIMINATE THE DUPLICATIVE ACCOUNTING SYSTEMS AT STATE COLLEGES AND UNIVERSITIES.

Response:

We do not concur. In 17-1-102, MCA, the general intent of the Legislature seems clear that there will be **one** "uniform accounting and reporting system for all state agencies and institutions." The Department has no authority to designate differing "uniform" accounting systems.

RECOMMENDATION #8: WE RECOMMEND THE DEPARTMENT IMPROVE CONTROL PROCEDURES OVER BID AND PERFORMANCE SECURITY DEPOSITS TO ENSURE COMPLIANCE WITH STATE LAW.

Response:

We concur. Bid and performance security work is coordinated between two divisions, Procurement & Printing Division and Administrative Financial Services Division. Procurement & Printing Division has established a tracking system for security bids, and Administrative Financial Services Division has established a backup for the person responsible for establishing and removing security deposits from the Department's accounting records.

RECOMMENDATION #9: WE RECOMMEND THE DEPARTMENT DOCUMENT THE APPROVAL OF EXEMPT PERSONAL STAFF OF ELECTED OFFICIALS WHEN THE TOTAL NUMBER OF THESE POSITIONS EXCEEDS TEN, AS REQUIRED BY LAW.

Response:

We concur. The Department has changed procedures to clearly document the approval of exempt personal staff.

RECOMMENDATION #10: WE RECOMMEND THE DEPARTMENT ACCURATELY COMPLETE THE PAYMENTS IN LIEU OF TAXES REPORT AS REQUIRED BY FEDERAL REGULATIONS.

Response:

We concur. The Department will work with the State Auditor's office to ensure the correct information for Forest Service payments is recorded.

RECOMMENDATION #11: WE RECOMMEND THE DEPARTMENT PROPERLY RECORD FINANCIAL ACTIVITY AS REQUIRED BY LAW.

Response:

We concur. The State's new accounting system (SABHRS) was implemented July 1, 1999. Most of the accounting errors, such as depreciation calculated twice on a piece of equipment and a revenue estimate recorded twice, resulted from unfamiliarity with the system during the implementation period. The revenue account for security lending income was converted from SBAS to SABHRS incorrectly as a budgeted account. The errors in recording arbitrage and general obligation debt for FY2001 was the result of turnover during fiscal year end in the position responsible for this function. The remaining accounting errors will be corrected immediately.

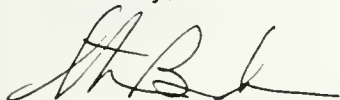
RECOMMENDATION #12: WE RECOMMEND THE DEPARTMENT ESTABLISH PROCEDURES TO ENSURE ITS SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS SUBMITTED TO THE GOVERNOR'S OFFICE ARE ACCURATE.

Response:

We concur. We will verify that expenditures reported by Department personnel match the expenditures recorded in SABHRS for preparation of the Schedule of Expenditures of Federal Awards.

We appreciate the opportunity to work with your staff on these issues.

Sincerely,

A handwritten signature in black ink, appearing to read 'S. Bender', with a stylized flourish at the end.

STEVE BENDER
Acting Director



MONTANA UNIVERSITY SYSTEM
OFFICE OF COMMISSIONER OF HIGHER EDUCATION

NOV 27 2001

2500 BROADWAY ♦ PO BOX 203101 ♦ HELENA, MONTANA 59620-3101 ♦ (406)444-6570 ♦ FAX (406)444-1469

November 26, 2001

Scott Seacat
Legislative Auditor
State Capitol
Helena, MT 59620

Dear Mr. Seacat:

Thank you for the opportunity to respond to a recommendation contained in the Financial-Compliance Audit of the Department of Administration. The Montana University System concurs with the recommendation number 7. We are hopeful that the recommendation will create an opportunity for several state agencies in the State of Montana to work collaboratively on an outcome that will benefit the enterprise as a whole and provide significant efficiencies in obtaining data from the Montana University System. The Office of the Legislative Auditor is to be commended for stimulating these discussions and opportunities.

Sincerely,

A handwritten signature in cursive script that reads "Richard A. Crofts".

Richard A. Crofts
Commissioner of Higher Education

Enclosures

RECOMMENDATION #7

- A. We recommend the university system ensure the Banner accounting system is accessible to and meets the information needs of users of the university financial information.
- B. We recommend the department work with the university system to eliminate the duplicative accounting systems at state colleges and universities.

AGENCY RESPONSE:

Concur.

- A. The Montana University System is currently working with the Legislative Branch on a project to provide information from the Banner System in a user-friendly format. University System representatives have so far met three times with stakeholders in this project; initially with Legislative Audit and Legislative Fiscal representatives and then expanded to include representatives from the Department of Administration and the Governor's Office of Budget. The project envisions that data extracted from Banner finance, human resource, and student modules will be used to produce reports and tables that satisfy the data needs of the centralized State agencies without requiring those users to become experts at Banner.

The Montana University System is an enthusiastic partner in this project. Two principles direct this enthusiasm:

- 1. We continue to believe the Banner system is the best system to serve the information needs of the Montana University System.
- 2. We continue to believe that the Montana University System is part of the larger enterprise called the State of Montana and have reporting and accountability requirements inherent in that relationship.

We understand that it is in our best interest to make this project succeed. Not only does the possibility exist for significant cost savings, but also for State agencies to feel more confident of the integrity of University System data.

- B. The Montana University System sincerely believes that when we succeed with Part A of this recommendation that Part B will be possible.

The Montana University System estimates that we spend over \$532,000 each year to interface SABHRS and Banner. The estimates related to salaries and benefits associated with the interface between Banner and SABHRS are:

▪ Interface team	\$137,100
▪ Programming	\$ 77,500
▪ Equipment/Maintenance	\$ 40,000
▪ Reconciliations	\$ 75,000
▪ Warrants Already Written	\$ 13,000
▪ SABHRS Support	\$190,000

If the University System were able to discontinue the feed to SABHRS, many of these costs would be eliminated. The University System would be able to invest the savings in our students.

It would not be feasible for the University System to discontinue use of Banner and exclusively use SABHRS. Instead of eliminating costs, additional costs would be incurred in:

- Purchasing additional PeopleSoft modules (student, financial aid, Web for student, Development,); or
- Additional interfaces would have to be written to be able to feed data between PeopleSoft finance and the other Banner modules, with increased reconciliation costs and maintenance costs. The modules would not be integrated.

In November 1997 the Board of Regents voted to implement SCT/Banner for the Montana University System. The decision was made after a thorough analysis and a comparison of Banner with PeopleSoft. Not only were the costs of Banner estimated to be half of those of PeopleSoft for software and installation, but the annual maintenance costs were half as well. In addition, the University System compared the software components that were available at that time and Banner clearly came out on top. In fact, the PeopleSoft student administration component had been released in May of 1997 and had not yet been fully implemented on any college campus. The University of Montana had invested almost \$4 million in Banner and had purchased almost all the Banner system and modules, including the student, financial aid, integrated voice response, degree audit and advising, human resources, alumni/development, and financial. The student system were installed on all UM campuses; the payroll and benefits portion of human resources were already installed on the Missoula campus.

A fully integrated system was important to the Montana University System in 1997 and continues to be today. Examples of integration unique to higher education include:

- Integration between student administration/financial aid and human resource/payroll to determine whether a student employee is a work-study student and then to check to make certain the student does not work more than 20 hours per week;
- Web for faculty;
- Integration between student administration/financial aid and human resource/payroll to determine whether an undergraduate student is taking at least 12 credits and working fewer than 20 hours per week and, if true, not withhold social security;
- Integration of Web for Students crosses all modules; therefore, a student can work, have a payroll deduction go to their campus card account, cross over to pay on their campus receivable, and check the balance in the student's account before allowing further charges.
- Pay faculty on a ten-month contract over 12 months with appropriate accruals;

- Once a mailing address is put into the system, it would follow a student or an employee throughout all modules – from grades to payroll;
- Once an ID has been established for a student or an employee, it would follow the student or employee throughout all modules;

Because of costs, software components, and the desire for an integrated system, the Board of Regents selected SCT/Banner. The SCT/Banner system has proven to be a good choice.

The Montana University System will work with the Department of Administration to eliminate duplicative accounting systems. We believe it is in the best interests of the University System, State Government, and the Montana Citizenry.

